



**CROWN INVESTMENTS CORPORATION
OF SASKATCHEWAN**

LETTER OF TRANSMITTAL



Regina, Saskatchewan
March 31, 2003

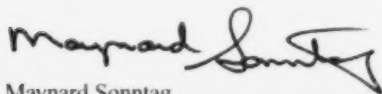
To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the twenty-fifth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2002 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,



Maynard Sonntag
Minister of Crown Investments Corporation

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MESSAGES FROM THE CHAIR AND PRESIDENT

CHAIR'S MESSAGE



Saskatchewan's Crown corporation sector plays a key role in Saskatchewan's economy. Our commercial Crown corporations provide services and infrastructure that are vital to our existence and to helping us build a modern economy. These Crowns continue to offer top quality products and services at rates that are among the lowest in Canada. This would not be possible if we did not own these companies. CIC's subsidiaries are also continuing to pursue their investment strategies. While there are challenges with investments and not all of them will be successful, these strategies are necessary if our Crown corporation sector is to remain viable and to grow.

CIC's investment strategy is to invest in commercially viable ventures that create jobs and economic development. In 2002, CIC announced a partnership with The Broe Companies to build a \$55 million, 80-million litre ethanol plant near Belle Plaine. The project is part of the government's strategy to make Saskatchewan the number one producer of ethanol in Canada. Broe will invest 60 per cent of the equity in the plant, while CIC will invest 40 per cent. The plant is expected to be in operation in 2004. Broe and CIC are also continuing to pursue plans for ethanol plants in the Tisdale and Melville-Yorkton areas. Also in 2002, CIC invested in a new Saskatchewan-based venture capital fund called Prairie Ventures Fund. This fund is a unique partnership among government, Saskatchewan credit unions, and Prairie Financial Management to create a pool of funds for new or expanding companies in Saskatchewan. In keeping with its strategy to divest of its holdings when a good opportunity arises, CIC sold its remaining Cameco shares for \$226.4 million, resulting in a gain on sale of \$111.4 million.

We are proud of the role our Crown corporation sector plays in Saskatchewan's economy, and we look forward to continuing this fine tradition in 2003. I am pleased to present CIC's 2002 Annual Report.

Maynard Sonntag
Minister of Crown Investments Corporation
Chair of the Board of Directors

PRESIDENT'S MESSAGE



The Crown corporation sector had a solid year financially in 2002, more than doubling earnings from the previous year and decreasing debt by more than \$100 million.

On a consolidated basis, CIC and its subsidiary Crown corporations and investments had earnings of \$284 million on revenues of \$3.49 billion. That's more than double the earnings of \$132 million in 2001. The higher earnings were due mainly to a gain of \$111.4 million on the sale of CIC's remaining Cameco shares and a higher profit at SaskPower. CIC's investments also posted a better year than in 2001. CIC Industrial Interests Inc. recorded a profit of \$11.6 million, compared with a loss of \$15.7 million the previous year. That loss was primarily due to a write-down of assets as a result of losses from potato operations at Saskatchewan Valley Potato Corporation.

Consolidated debt was \$3.51 billion at the end of 2002, a decrease of \$107 million from the year before. This was due mainly to lower debt at SaskEnergy, SaskPower, SaskTel and some CIC investments. Since 1991, Crown sector debt has decreased by more than \$1.8 billion.

CIC will pay a dividend of \$300 million to the Province's General Revenue Fund (GRF) for 2002. That includes a \$100 million portion of the dividend that was deferred for 2000. Also in 2002, CIC made an equity repayment of \$181 million from the sale of its remaining Cameco shares. Since 1995, CIC has paid more than \$1.6 billion to the GRF in regular and special dividends and equity repayments. CIC expects to declare a \$200 million dividend for 2003.

After a successful year in 2002, we look forward to another rewarding year in 2003.

Frank Hart
President and CEO

Vision

CIC provides a strategic focus to the Crown corporation sector and is a centre of excellence for public investment. CIC is financially self-sufficient and is a leader in facilitating economic growth through commercially viable investments.

Mission

We are the Province of Saskatchewan's holding company that:

- establishes the strategic direction for subsidiary Crown corporations through effective governance and performance management;
- manages prudently a diversified portfolio of commercially viable investments; and,
- enhances Saskatchewan's long term economic growth and diversification through investments and Crown corporations.

Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and,
- being a model employer by developing our employees' knowledge and skills.

Vision

CIC provides a strategic focus to the Crown corporation sector and is a centre of excellence for public investment. CIC is financially self-sufficient and is a leader in facilitating economic growth through commercially viable investments.

Mission

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2002 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND RESULTS

CIC uses the Balanced Scorecard as the key feature of its strategic and performance management model. The Balanced Scorecard involves the development of specific corporate objectives, measures and targets that are aligned with the shareholder's expectations from the perspectives of leadership, customers and stakeholders, public purpose, financial, and, innovation and learning. The Balanced Scorecard is not static. With each planning cycle, it is expected that there will be improvements, modifications and adjustments. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. Together, the Crown Sector Strategic Plan and Balanced Scorecard form an integrated strategic performance management system, detailed on page 37 in the Corporate Governance section.

LEADERSHIP SCORECARD		
Crown Sector Strategic Goal	Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.	
CIC's Strategic Goal	Strategic investments and effective leadership to Crown subsidiaries and within the public sector.	
OBJECTIVES	MEASURES AND TARGETS	2002 RESULTS
Demonstrate leadership with the Government's investments	Meet or exceed shareholder expectations.	Achieved. 77 per cent satisfaction rate of CIC Board members versus 76 per cent target.
Catalyst for economic development in Saskatchewan	Meet or exceed shareholder expectations.	Surpassed. 78 per cent satisfaction rate of CIC Board members versus 70 per cent target.
Effective governance and performance management of Crown subsidiaries	Meet or exceed shareholder expectations.	Achieved. 73 per cent satisfaction rate of CIC Board members versus 70.5 per cent target.
Proactive CIC/Crown participation on joint executive government/Crown sector issues	Meet or exceed shareholder expectations.	Benchmark established with 65 per cent satisfaction rate of CIC Board members.

PUBLIC PURPOSE SCORECARD																										
Crown Sector Strategic Goal	Contribute to social, economic and environmental public policies.																									
CIC's Strategic Goal	Apply CIC specific socio-economic policy measures consistent with the Crown Sector Strategic Plan.																									
OBJECTIVES	MEASURES AND TARGETS																									
Strategic investments in support of public policy	• Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries; biotechnology; and, information technology.																									
Representative Saskatchewan profile	• Progress towards annual corporate and long-term Human Rights Commission workplace targets. <table><thead><tr><th></th><th>Per cent</th></tr></thead><tbody><tr><td>Aboriginal</td><td>6.92</td></tr><tr><td>Persons with disabilities</td><td>7.54</td></tr><tr><td>Visible minorities</td><td>2.20</td></tr><tr><td>Women in executive</td><td>9.00</td></tr><tr><td>Women in management</td><td>37.00</td></tr></tbody></table>		Per cent	Aboriginal	6.92	Persons with disabilities	7.54	Visible minorities	2.20	Women in executive	9.00	Women in management	37.00	• \$23.6 million invested in the Meadow Lake OSB project. • \$18.3 million commitment to the Belle Plaine ethanol project. • \$8.6 million strategically invested alongside private sector capital in venture capital funds. • \$2.8 million invested or committed to small and medium-sized investors. • Staffing Levels<table><thead><tr><th></th><th>Per cent</th></tr></thead><tbody><tr><td>Aboriginal</td><td>4.9</td></tr><tr><td>Persons with disabilities</td><td>4.9</td></tr><tr><td>Visible minorities</td><td>1.2</td></tr><tr><td>Women in executive</td><td>16.7</td></tr><tr><td>Women in management</td><td>36.8</td></tr></tbody></table>		Per cent	Aboriginal	4.9	Persons with disabilities	4.9	Visible minorities	1.2	Women in executive	16.7	Women in management	36.8
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Environmental stewardship and protection	• Incorporate environmental considerations into all investment decisions.	• 100 per cent.																								

2002 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND RESULTS

CUSTOMER AND STAKEHOLDERS SCORECARD

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC's Strategic Goal

Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders.

OBJECTIVES

Accountability and public reporting of the Crown Sector

Development, guidance and support to CIC Board, Crown boards and Crown executives

Highly competitive benefit and pension programs

MEASURES AND TARGETS

- On-time preparation of Annual Report, Semi-Annual Report, and significant transaction reports.

- Attain an 80 per cent satisfaction level for services provided to CIC Board, Crown boards and Crown executives.

- Achieve a 90 per cent retention rate of current participants and expand non-government client base by two.

- Completed on time.

- Essentially met. Overall satisfaction level of 78 per cent.

- 100 per cent retention rate, expanded base with five new clients.

FINANCIAL SCORECARD

Crown Sector Strategic Goal

Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC's Strategic Goal

Optimize the return for CIC's investment portfolio and create self-sufficiency for CIC while supporting the government's fiscal objectives.

OBJECTIVES

Appropriate return to the GRF

Optimize returns from CIC III and NewGrade investments

Strengthen portfolio balance

MEASURES AND TARGETS

- Declare a dividend to the GRF of \$300 million.
- Attain a shareholder cash flow return on equity of 19.5 per cent.

- Achieve a five per cent return on equity.

- Work toward achieving CIC III investment balance, equity 40 per cent, loans 60 per cent for 2002.
- Average exposure per investment at \$14 million.

- \$300 million dividend.

- Essentially met. Return was 18.3 per cent.

- Essentially met. Return was 4.8 per cent.

- Progressing towards target as composition of portfolio changes. 42 per cent equity, 58 per cent debt.
- \$15 million exposure excluding SDCD small investment portfolio (\$1.7 million including SDCD).

INNOVATION AND LEARNING SCORECARD

Crown Sector Strategic Goal

Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC's Strategic Goal

Develop and support the people who work at CIC.

OBJECTIVES

High employee satisfaction

Enhance skills and competencies

MEASURES AND TARGETS

- Maintain an employee satisfaction level greater than 75 per cent.

- Establish development plans for all employees.

- Training dollars as a percentage of payroll at four per cent.

- 2001 result was 85 per cent, next survey in 2002.

- 100 per cent.

- Four per cent.

2002 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND RESULTS

CIC uses the Balanced Scorecard as the key feature of its strategic and performance management model. The Balanced Scorecard involves the development of specific corporate objectives, measures and targets that are aligned with the shareholder's expectations from the perspectives of leadership, customers and stakeholders, public purpose, financial, and, innovation and learning. The Balanced Scorecard is not static. With each planning cycle, it is expected that there will be improvements, modifications and adjustments. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. Together, the Crown Sector Strategic Plan and Balanced Scorecard form an integrated strategic performance management system, detailed on page 37 in the Corporate Governance section.

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OBJECTIVES

Demonstrate leadership with the Government's investments

Catalyst for economic development in Saskatchewan

Effective governance and performance management of Crown subsidiaries

Proactive CIC/Crown participation on joint executive government/Crown sector issues

MEASURES AND TARGETS

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- Surpassed. 78 per cent satisfaction rate of CIC Board members versus 70 per cent target.
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- Benchmark established with 65 per cent satisfaction rate of CIC Board members.

PUBLIC PURPOSE SCORECARD

Crown Sector Strategic Goal	Contribute to social, economic and environmental public policies.
CIC's Strategic Goal	Apply CIC specific socio-economic policy measures consistent with the Crown Sector Strategic Plan.

OBJECTIVES

Strategic investments in support of public policy

Representative Saskatchewan profile

Environmental stewardship and protection

MEASURES AND TARGETS

- Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries; biotechnology; and, information technology.
- Progress towards annual corporate and long-term Human Rights Commission workplace targets.

	Per cent
Aboriginal	6.92
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2002 RESULTS

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2002 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND RESULTS

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OBJECTIVES

Accountability and public reporting of the Crown Sector

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Highly competitive benefit and pension programs

MEASURES AND TARGETS

- On-time preparation of Annual Report, Semi-Annual Report, and significant transaction reports.

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FINANCIAL SCORECARD

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OBJECTIVES

Appropriate return to the GRF

Optimize returns from CIC III and NewGrade investments

Strengthen portfolio balance

MEASURES AND TARGETS

- Declare a dividend to the GRF of \$300 million.
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2002 RESULTS

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INNOVATION AND LEARNING SCORECARD

Crown Sector Strategic Goal	Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.
CIC's Strategic Goal	Develop and support the people who work at CIC.

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High employee satisfaction

Enhance skills and competencies

MEASURES AND TARGETS

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- Establish development plans for all employees.

- Training dollars as a percentage of payroll at four per cent.

2002 RESULTS

- 2001 result was 95 per cent, next survey in 2003.

- 100 per cent.

- Four per cent.

2003 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND TARGETS

The charts below detail key elements of CIC's 2003 performance management objectives, measures and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.

PUBLIC PURPOSE SCORECARD

Crown Sector Strategic Goal

Contribute to social, economic and environmental public policies.

CIC's Strategic Goal

Lead and contribute in the delivery of the Government's public policy.

OBJECTIVES

Strategic investments in support of public policy

CIC's workforce reflects the Saskatchewan profile

Environmental protection and advancement of the Green Agenda

Aboriginal and youth - skills enhancement and opportunities

MEASURES AND TARGETS

- Direct employment created, 200-300 jobs.
- Strategic investment up to \$75 million for economic development.
- Progress towards annual corporate and long-term Saskatchewan Human Rights Commission workplace targets:
 - Aboriginal 8.3 per cent
 - Persons with disabilities 8.1 per cent
 - Visible minorities 3.0 per cent
 - Women in executive 18.0 per cent
 - Women in management 39.0 per cent
- 80 per cent of new computer systems and office equipment meet Energy Star standards.
- Purchase 5,000 kilowatt hours per month in support of the GreenPower program.
- Environmental review of investment decisions - 100 per cent.
- Employ four students under the Co-op students program.
- Provide two bursaries to students of aboriginal descent:
 - College of Commerce \$2,500
 - Faculty of Administration \$2,500
- Aboriginal secondment and job exchange for one individual.

CUSTOMERS AND STAKEHOLDERS SCORECARD

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC's Strategic Goal

Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders.

OBJECTIVES

Accountability and public reporting of the Crown sector

Development, guidance and support to CIC Board, Crown boards and Crown executives

Clearly articulate shareholder direction to the Crown sector

Communication regarding Crown Public Enterprise

Capital Pension & Benefits - highly competitive benefit and pension programs

MEASURES AND TARGETS

- On time preparation of public reports and significant transaction reporting.
- Achieve a "good or better" on best practices rating from The Conference Board of Canada for annual reporting and disclosure.
- Score 7.6 or more on shareholder expectations index.
- Score 8.0 or more on Crown board expectations index.
- Score 6.3 or more on Crown executives expectations index.
- Score 7.9 or more on shareholder expectations index.
- Score 5.5 or more on Crown executives expectations index.
- Hold at least six information sessions with general public and interested groups.
- 90 per cent client base retention.
- Two new private sector clients.
- Rolling four-year return on contributory funds to outperform industry benchmark return for balanced funds ("PALTrak").

2003 PERFORMANCE MANAGEMENT OBJECTIVES, MEASURES AND TARGETS

LEADERSHIP SCORECARD

Crown Sector Strategic Goal

Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.

CIC's Strategic Goal

Strategic investments and effective leadership to Crown subsidiaries and within the public sector.

OBJECTIVES

Catalyst for economic development in Saskatchewan

MEASURES AND TARGETS

- Score 7.2 or more on shareholder expectations index.
- Private sector capital levered per \$1 million of CIC capital committed:
 - Projects > \$1.5 million
 - Funds > \$2.0 million

Effective governance and performance management of Crown subsidiaries

- Score 7.3 or more on shareholder expectations index.
- External governance rating by The Conference Board of Canada to be in the top quartile of participating Canadian companies.

Proactive CIC/Crown participation on joint executive government & Crown sector issues

- Score 7.0 or more on shareholder expectations index.

FINANCIAL SCORECARD

Crown Sector Strategic Goal

Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC's Strategic Goal

Prudently manage and finance the return from CIC's investment portfolio while supporting the government's fiscal objectives.

OBJECTIVES

Appropriate return to the General Revenue Fund

MEASURES AND TARGETS

- Declare a dividend of \$200 million to the GRF.
- Achieve a shareholder cash flow return on equity of at least 13 per cent.

Prudently manage CIC's investment portfolio

- Achieve a return on equity (CIC III plus NewGrade) of 7.0 per cent.
- Investment Division administration costs no greater than 0.8 per cent of CIC III plus NewGrade portfolio.
- Achieve positive net cash flow to the shareholder.

INNOVATION AND LEARNING SCORECARD

Crown Sector Strategic Goal

Align human resources processes and practices with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC's Strategic Goal

Engage "Leading Practices" in organizational and employee growth.

OBJECTIVES

Commitment to "Leading Practices" in organizational and employee development

MEASURES AND TARGETS

- Satisfaction level by employee survey of > 77 per cent.
- Training dollars targeted at four per cent of payroll.
- Voluntary Wellness Program:
 - Average employee sick days < four days
 - Participation rate
 - Life style risk reduction

To nurture and sustain a constructive corporate culture through Pacific Institute training

- Advance the corporate culture as measured by Pacific Institute measurement criteria.

Our people supporting our communities

- To encourage and celebrate the participation of CIC staff.

CIC CORPORATE CHARTER

During 2001, CIC developed and endorsed a corporate charter. A corporate charter is a set of clear guidelines that define how people in an organization can expect to work together. The process of developing CIC's Corporate Charter involved the participation of all employees to put into their own words CIC's defining principles and team expectations. The purpose of the CIC Corporate Charter is to guide the behaviours and clarify the obligations and responsibilities of its employees. The CIC Corporate Charter is designed to encourage and reinforce staff teamwork, cooperation, high productivity and effective decision-making.

CIC's Corporate Charter embraces the following guiding principles:

DEMOCRATIC PRINCIPLES

We abide by our responsibilities as established in **The Crown Corporations Act, 1993** and assist Ministers in serving the common good.

PROFESSIONAL PRINCIPLES

We are committed to:

- excellence and merit;
- providing objective and impartial advice to the Government; and,
- serving the people of Saskatchewan.

ETHICAL PRINCIPLES

Honesty, integrity, and courage guide our actions and decisions. We work to achieve the goals of the Corporation and enhance its reputation in the Saskatchewan and global community.

PEOPLE PRINCIPLES

We trust our colleagues, respect their needs and aspirations, recognize their contributions and commit to working as a team in fulfilling the Corporation's goals and objectives; we draw strength and creativity from the diversity of Saskatchewan society.

MAJOR LINES OF BUSINESS

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) of CIC's consolidated 2002 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release.

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

MAJOR BUSINESS LINE	INVESTMENT	FORM OF INVESTMENT
UTILITIES:		
Electricity	Saskatchewan Power Corporation (SaskPower)	wholly-owned subsidiary
Telecommunications	Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	wholly-owned subsidiary
Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Water Management	Saskatchewan Water Corporation (SaskWater)	wholly-owned subsidiary
Land & Property Registration Services	Information Services Corporation of Saskatchewan (ISC)	wholly-owned subsidiary
INSURANCE:		
Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Life	HARO Financial Corporation (HARO) via its subsidiary, Crown Life Insurance Company (Crown Life)	non-voting equity interest and loan
COMMODITY-BASED INVESTMENTS:		
Heavy Oil	NewGrade Energy Inc. (NewGrade)	50.0 per cent equity interest
Forestry	Meadow Lake Pulp Limited Partnership (MLPLP)	50.0 per cent partnership interest and loans
	Meadow Lake OSB Limited Partnership (ML OSB)	25.0 per cent equity interest
Fertilizer	Saskferco Products Inc. (Saskferco)	49.0 per cent equity interest
Agricultural/Food Processing	Big Sky Farms Inc. (Big Sky)	41.2 per cent equity interest
	Centennial Foods Partnership (Centennial)	35.0 per cent partnership interest
	Premium Brands Inc. (Premium)	12.1 per cent equity interest
ECONOMIC GROWTH:		
Infrastructure	Saskatchewan Opportunities Corporation (SOCO)	wholly-owned subsidiary
Immigrant Investor Program	Saskatchewan Government Growth Fund Management Corporation (SGGF)	wholly-owned subsidiary
TRANSPORTATION:		
Passenger and Freight Transportation	Saskatchewan Transportation Company (STC)	wholly-owned subsidiary

Profiles of each subsidiary Crown corporation and major investment are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

MANAGEMENT'S DISCUSSION & ANALYSIS

MAJOR LINES OF BUSINESS

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

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Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Water Management	Saskatchewan Water Corporation (SaskWater)	wholly-owned subsidiary
Land & Property Registration Services	Information Services Corporation of Saskatchewan (ISC)	wholly-owned subsidiary
INSURANCE:		
Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Life	HARO Financial Corporation (HARO) via its subsidiary, Crown Life Insurance Company (Crown Life)	non-voting equity interest and loan
COMMODITY-BASED INVESTMENTS:		
Heavy Oil	NewGrade Energy Inc. (NewGrade)	50.0 per cent equity interest
Forestry	Meadow Lake Pulp Limited Partnership (MLPLP)	50.0 per cent partnership interest and loans
	Meadow Lake OSB Limited Partnership (ML OSB)	25.0 per cent equity interest
Fertilizer	Saskferco Products Inc. (Saskferco)	49.0 per cent equity interest
Agricultural/Food Processing	Big Sky Farms Inc. (Big Sky)	41.2 per cent equity interest
	Centennial Foods Partnership (Centennial)	35.0 per cent partnership interest
	Premium Brands Inc. (Premium)	12.1 per cent equity interest
ECONOMIC GROWTH:		
Infrastructure	Saskatchewan Opportunities Corporation (SOCO)	wholly-owned subsidiary
Immigrant Investor Program	Saskatchewan Government Growth Fund Management Corporation (SGGF)	wholly-owned subsidiary
TRANSPORTATION:		
Passenger and Freight Transportation	Saskatchewan Transportation Company (STC)	wholly-owned subsidiary

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MANAGEMENT'S DISCUSSION & ANALYSIS

RESULTS OF OPERATIONS

Earnings for the year were \$284.1 million (2001 - \$132.2 million). Excluding non-recurring gains of \$71.0 million (2001 - losses of \$75.7 million), and income tax expense of \$6.5 million (2001 - \$ Nil), earnings from ongoing operations were \$219.6 million (2001 - \$207.8 million). Non-recurring items in 2002 consisted of CIC's gain on sale of Cameco Corporation shares of \$111.4 million, partly offset by a provision taken on Austar United Communications Limited of \$40.4 million. Non-recurring items in 2001 consisted of losses on the write-off of SaskEnergy's Gas Cost Variance Account (\$61.3 million) and the write-down of potato storage assets (\$14.3 million).

Revenues were \$3,489.9 million (2001 - \$3,415.4 million), an increase of \$74.5 million. Operating revenues were \$3,396.2 million (2001 - \$3,324.3 million). The \$71.9 million increase was mainly due to higher utility sales and increased insurance premiums offset by lower sales by commodity-based investments. Utility sales were \$2,576.4 million (2001 - \$2,520.3 million), an increase of \$56.1 million. The increase was primarily due to higher sales revenues by SaskEnergy and SaskTel. SGI's sales increased by \$24.1 million due to growth in Saskatchewan premiums, and a full year of experience with its subsidiaries. Partly offsetting the increases was a decrease in commodity sales of \$32.7 million mainly reflecting lower prices for the reconstituted crude oil product of NewGrade Energy Inc.

Investment earnings were \$52.4 million (2001 - \$53.3 million). The \$0.9 million reduction mainly reflects lower earnings from SGI's investment portfolio due to soft equity markets in 2002, offset by improved earnings from equity accounted investments.

Expenses were \$3,270.3 million (2001 - \$3,207.6 million), an increase of \$62.7 million. The primary factors were increased natural gas costs for SaskEnergy and an increase in expenses at SaskTel on growth initiatives. Interest costs were \$270.2 million (2001 - \$316.6 million) mainly reflecting an improvement in the exchange value of the Canadian dollar against its United States counterpart. Amortization costs of \$405.3 million increased by \$4.5 million, reflecting an increase in capital assets.

During the year, CIC adopted the asset and liability method of accounting for income taxes. As a result, CIC recognized a \$77.8 million future tax asset from loss carryforwards and temporary differences between net book value of capital assets as compared with their undepreciated capital cost for tax purposes, primarily attributable to NewGrade Energy Inc. During the year, CIC recorded a \$6.5 million future income tax expense.

CIC spent \$996.2 million on new investment and capital acquisitions (2001 - \$1,001.2 million). The \$5.0 million difference reflects a decrease of \$12.6 million in capital spending, partly offset by a \$7.6 million increase in investment activity, mainly due to SGI turning over its investment portfolio.

Debt at December 31, 2002 was \$3,514.9 million (2001 - \$3,621.9 million), a decrease of \$107.0 million. The decrease in debt was largely attributable to lower debt at SaskEnergy (\$50.0 million), SaskPower (\$25.4 million), NewGrade (\$22.8 million), SOCO (\$19.4 million), SaskTel (\$10.7 million), Saskatchewan Valley Potato Corporation (\$5.7 million), and MLPLP (\$2.7 million), partly offset by increases at ISC (\$14.2 million), SaskWater (\$8.5 million), Centennial (\$4.0 million) and CIC's non-consolidated debt (i.e., debt held by the holding company) of \$3.3 million.

MANAGEMENT'S DISCUSSION & ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Highlights

<i>(millions of dollars)</i>	2002	2001
Cash from Operations	\$ 770.4	\$ 73.8
Cash used in Investing Activities	(322.3)	(540.4)
Dividends Paid	(200.0)	-
Equity Repaid	(181.3)	-
Debt Proceeds Received	17.8	642.1
Debt Repaid	(57.7)	(369.4)
Other Financing Activities	8.1	214.1
Increase in Cash	\$ 35.0	\$ 20.2

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has ample access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt as at December 31, 2002

Moody's Investor Service	Aa3
Standard & Poor's	A+
Dominion Bond Rating Service	A

Operating, Investing and Financing Activities

Cash from operations was \$770.4 million (2001 - \$73.8 million). The \$696.6 million increase was primarily due to a decrease in non-cash working capital and higher earnings from ongoing operations.

Cash used in investing activities was \$322.3 million (2001 - \$540.4 million). The \$218.1 million decrease was primarily due to proceeds received from the sale of CIC's remaining Cameco Corporation shares.

Cash used in financing activities was \$413.1 million (2001 cash provided by financing activities - \$486.8 million). The \$899.9 million change reflects the payment of \$200.0 million in dividends and \$181.3 million in equity repayments to the GRF in 2002 combined with a higher level of debt placements during 2001.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

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MANAGEMENT'S DISCUSSION & ANALYSIS

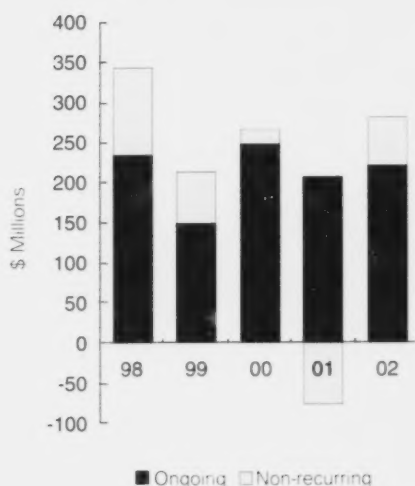
CONSOLIDATED FINANCIAL SUMMARY

Earnings

Over the past five years, CIC has realized significant gains from the sale of major investments such as Cameco Corporation (2002), Austar United Communications Limited (2000), Regional Cable TV (Western) Inc. (2000), Saturn Communications Limited (1999), Saskfor MacMillan Limited Partnership (1999), and Bi-Provincial Upgrader (1998).

In 2002, non-recurring items consisted of a gain on the sale of Cameco Corporation shares (\$111.4 million) and a provision for Austar United Communications Limited (\$40.4 million).

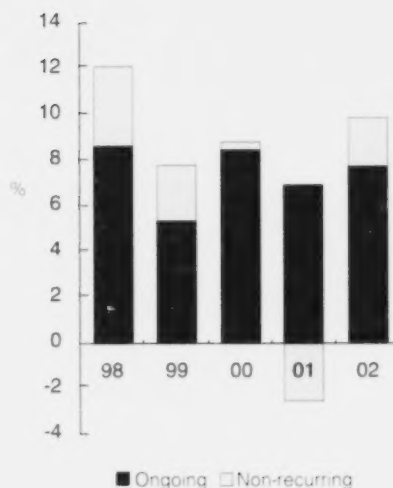
Consolidated Earnings
for the period



Return on Equity

The return on equity (the ratio of earnings to the average amount of shareholder's equity) rose from four per cent in 2001 to ten per cent in 2002, primarily reflecting the gain on sale of Cameco Corporation shares, higher earnings at SaskPower and SaskEnergy, and a lower loss at MLPLP. These increases were partially offset by lower earnings at SaskTel and NewGrade, and a loss at SGI.

Consolidated Return on Equity
for the period

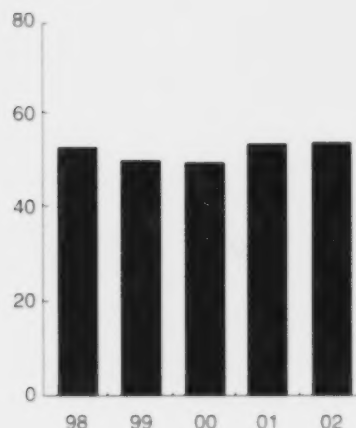


MANAGEMENT'S DISCUSSION & ANALYSIS

Debt Ratio

The debt ratio (the ratio of consolidated debt to debt plus equity) remained at approximately 55 per cent.

Consolidated Debt Ratio
at year end

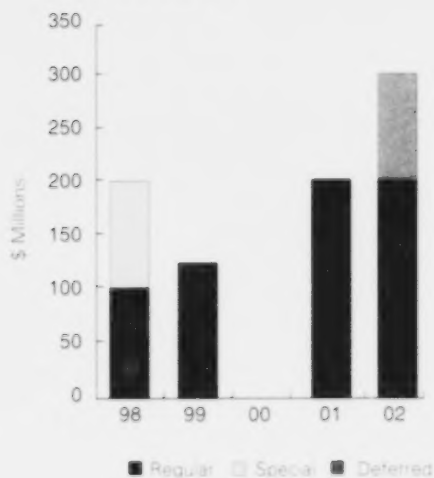


Dividends

CIC declared a dividend of \$300.0 million to the GRF for 2002, including a \$100.0 million portion of the dividend deferred for 2000. In 2002, CIC made a \$181.3 million equity repayment related to the sale in February 2002 of its remaining interest in Cameco Corporation. In 2003, per the 2003-2004 provincial budget, CIC expects to declare a \$200.0 million dividend to the GRF.

Since 1998, including special dividends and equity repayments, CIC has provided an aggregate return of \$1,091.3 million to the GRF to support the Government's fiscal objectives.

Dividends to the GRF
declared at year end



MANAGEMENT'S DISCUSSION & ANALYSIS

SEGMENTED INFORMATION

(millions of dollars)

	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
Income statement for the year ended December 31	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Sales and other revenue	2,734	2,633	534	565	236	216	14	14	32	29	(60)	(41)	3,490	3,416
Operating expenses & other	2,282	2,190	497	508	237	197	15	15	27	27	(58)	(46)	3,000	2,891
Debt costs	237	286	50	42	-	-	-	-	8	7	(25)	(18)	270	317
Earnings before the following	215	157	(13)	15	(1)	19	(1)	(1)	(3)	(5)	23	23	220	208
Non-recurring items and taxes	(26)	(52)	-	(14)	-	-	-	-	-	-	90	(10)	64	(76)
Net Earnings	189	105	(13)	1	(1)	19	(1)	(1)	(3)	(5)	113	13	284	132

Balance Sheet as at December 31

Current assets	652	838	143	129	176	137	4	3	9	8	327	349	1,311	1,464
Investments & other	373	381	128	227	480	506	-	-	4	26	363	260	1,348	1,400
Capital assets	5,265	5,109	128	147	11	13	15	15	142	143	(140)	(131)	5,421	5,296
	6,290	6,328	399	503	667	656	19	18	155	177	550	478	8,080	8,160
Current liabilities	917	809	88	83	366	376	2	2	21	40	92	(51)	1,486	1,259
Long-term debt	2,825	3,029	416	411	-	-	-	-	127	128	(297)	(263)	3,071	3,305
Other	416	403	-	-	208	178	7	5	-	-	(10)	(12)	621	574
	4,158	4,241	504	494	574	554	9	7	148	168	(215)	(326)	5,178	5,138
Province's equity	2,132	2,087	(105)	9	93	102	10	11	7	9	765	804	2,902	3,022
	6,290	6,328	399	503	667	656	19	18	155	177	550	478	8,080	8,160

Statement of Cash Flows for the year ended December 31

Operating activities	613	481	39	66	20	25	-	-	1	4	97	(502)	770	74
Investing activities														
Capital asset purchases	(521)	(558)	(7)	(5)	-	(2)	(2)	(3)	(2)	(17)	4	44	(528)	(541)
Other	(16)	(69)	5	-	(9)	(4)	-	-	(2)	-	228	74	206	1
	(537)	(627)	(2)	(5)	(9)	(6)	(2)	(3)	(4)	(17)	232	118	(322)	(540)
Financing activities														
Debt proceeds	25	551	12	44	-	-	-	-	-	9	(19)	38	18	642
Debt repayments	(28)	(263)	(40)	(60)	-	-	-	-	(1)	-	11	(46)	(58)	(369)
Dividends paid to CIC	(144)	(135)	-	-	-	(10)	-	-	-	-	144	145	-	-
Dividends paid to GRF	-	-	-	-	-	-	-	-	-	-	(200)	-	(200)	-
Other	(43)	175	2	(27)	(1)	(34)	3	2	6	5	(140)	92	(173)	213
	(190)	328	(26)	(43)	(1)	(44)	3	2	5	14	(204)	229	(413)	486
Change in Cash	(114)	182	11	18	10	(25)	1	(1)	2	1	125	(155)	35	20

MANAGEMENT'S DISCUSSION & ANALYSIS

FIVE-YEAR OPERATIONAL REVIEW

At corporate fiscal year end

	2002	2001	2000	1999	1998
SaskPower					
Number of permanent full time employees	2,350	2,286	2,192	2,120	2,030
Total customers	434,234	432,061	431,357	428,024	426,673
Avg. annual usage/residential customer (kilowatt hours)	8,100	7,923	7,807	7,799	7,644
Power lines (kilometres of poles)	152,110	151,750	151,247	150,656	150,001
SaskTel					
Number of permanent full time employees					
SaskTel Wireline	3,370	3,354	3,370	3,819	3,771
Diversified operations**	761	714	481	435	456
Total	4,131	4,068	3,851	4,254	4,227
Operating revenue (\$thousands)	893,485	863,428	785,609	763,461	769,325
Network access services	613,695	616,292	621,766	621,946	615,601
Cellular access services	259,071	240,492	218,856	188,002	160,434
Internet access services	127,927	105,757	88,427	66,435	49,435
Originated minutes (thousands)	1,437,747	1,442,165	1,406,739	1,273,545	932,745
Cumulative percentage SaskTel has lowered average per minute long distance charges since 1990	-81%	-80%	-77%	-72%	-59%
** Includes SaskTel International, SaskTel Wireless, DirectWest, SecurTek and Other					
SaskEnergy					
Number of permanent full time employees	808	819	812	809	816
Total distribution customers	323,721	321,612	320,340	317,219	313,425
Residential annual average usage (cubic metres)	3,478	3,173	3,497	3,316	3,255
Distribution pipelines (km)	65,441	65,193	64,814	64,169	63,063
Transmission pipelines (km)	13,990	13,887	13,837	13,733	13,635
Compressor horsepower (hp)	104,620	104,620	104,375	104,375	104,375
Peak day gas flows (petajoules)	1.30	1.30	1.36	1.28	1.37
SGI					
Number of permanent full time employees	1,451	1,444	1,403	1,402	1,393
Premiums written (\$thousands)	229,500	192,714	165,523	164,183	165,086
Number of policies in force	448,397	444,163	422,770	426,964	425,081
Number of claims	75,634	76,404	69,014	67,720	61,492
MLPLP					
Number of employees	167	192	191	195	196
Safety (lost time accidents)	2	6	1	3	1
Value of exports (\$millions)	132	117	191	146	98
Volume of trees delivered (cubic metres)	948,108	714,407	852,404	986,147	688,677
Saskferco					
Number of employees	139	138	132	133	138
Safety (lost time accidents)	0	0	0	0	0
Natural gas consumption (millions of gigajoules)	24.7	22.8	24.7	24	22
NewGrade					
Number of permanent employees	183	185	183	181	177
Average plantgate differentials (\$Cdn/barrel)	7.72	13.51	8.35	5.07	6.87
Crude oil processed (barrels per day)	55,200	55,900	58,300	51,300	55,500
Third party debt (\$millions)	108	131	168	204	252

UTILITIES

 SaskPower
PROFILE

SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, SaskPower's mandate is to deliver safe, reliable, cost-effective power to the residents of Saskatchewan. SaskPower was created as a provincial Crown corporation in 1950 and is governed by **The Power Corporation Act**.

SaskPower operates three coal-fired stations, seven hydroelectric stations, four natural gas stations, and nine wind turbines with aggregate generating capacity of 3,051 megawatts, and has 221 megawatts of contracted capacity. SaskPower maintains over 152,000 kilometres of power lines.

SaskPower's 2,350 permanent full-time employees work in three business units, five corporate groups, and three subsidiaries (NorthPoint Energy Solutions Inc., Power Greenhouses Inc., and SaskPower International Inc.).

2002 RESULTS

- Earnings were \$126.7 million (2001 - \$29.1 million).
- Revenue of \$1,124.1 million (2001 - \$1,125.5 million restated) decreased slightly from 2001 due to a decline in export sales, partially offset by higher Saskatchewan sales revenue.
- Expenses of \$997.4 million (2001 - \$1,096.4 million restated), including finance charges of \$141.0 million (2001 - \$181.2 million), decreased primarily due to increased hydroelectric generation which reduced the reliance on higher cost supply sources, and decreased natural gas prices. Finance charges declined by \$40.2 million.
- Debt was \$1,885.8 million (2001 - \$1,911.2 million).
- Capital spending of \$305.4 million (2001 - \$363.8 million) was for new generation, environmental mitigation, customer connections, and to extend the life of existing infrastructure.

 SaskTel
PROFILE

SaskTel is Saskatchewan's leading full service communications company providing voice, data, Internet, entertainment, web-hosting, wireless, text and messaging services over a digital network. SaskTel has 4,131 permanent full-time employees. Through interconnection agreements, SaskTel is part of the national and global communications network.

SaskTel also diversifies to build value for the future. Saskatchewan Telecommunications International Inc. markets the corporation's advanced technological and software solutions to clients around the world. DirectWest Publishing Partnership provides directories (print and online) and continues to add new multimedia products and services. SaskTel also has investments in companies that provide communication and entertainment for the healthcare industry, remote security monitoring, load monitoring and curtailment services for the energy sector, wireless point of sale, broadband Internet streaming, pawnshop transaction tracking, and telecommunications products and services outside SaskTel's traditional territory.

2002 RESULTS

- Earnings were \$65.1 million (2001 - \$101.5 million). SaskTel wrote down its investments in Austar United Communications Limited (\$40.4 million), and Soft Tracks Enterprises Ltd. (\$0.9 million). Earnings before write-downs were \$106.5 million.
- Revenues of \$893.5 million (2001 - \$863.4 million restated) grew in the areas of diversified operations, cellular, and Internet services, partially offset by lower long distance and contribution revenues.
- Operating expenses were \$754.0 million (2001 - \$710.6 million). Increased spending on growth initiatives was partially offset by lower spending in traditional business lines due to \$22.3 million in savings from the Operational Efficiency Program and reduced contribution payments.
- Interest costs were \$33.7 million (2001 - \$42.0 million). This variance is primarily due to a foreign currency gain of \$0.9 million recorded in 2002 compared to an \$8.1 million loss in 2001.
- Debt was \$439.5 million (2001 - \$450.2 million).
- Capital spending of \$165.0 million (2001 - \$126.7 million restated) rose due to increased focus on growth initiatives such as Max™ Interactive Services, high speed Internet, CommunityNet and digital cellular network expansion.

2003 OUTLOOK

- Future rate adjustments would be subject to review by the Saskatchewan Rate Review Panel.
- Earnings will likely continue to be constrained by soft export markets and rising natural gas prices.
- SaskPower plans to continue to make significant investments, including the rebuild of Boundary Dam Unit #6, the Nipawin Unit #2 refurbishment and customer connections. SaskPower will also invest to expand capacity and enhance reliability of the transmission and distribution infrastructure.
- Through its subsidiary, SaskPower International Inc., two projects will commence commercial operations in early 2003: the Cory Cogeneration Station near Saskatoon, Saskatchewan, and, the MRM Cogeneration Station north of Fort McMurray, Alberta.

KEY FACTORS AFFECTING PERFORMANCE

- Weather conditions.
- Export markets.
- Volatility of natural gas prices.
- Availability of relatively low cost hydro and coal generation.
- Translation value of the Canadian dollar vis-à-vis the United States dollar.

KEY FINANCIAL DATA

- Total assets of \$3.6 billion (2001 - \$3.6 billion).
- Debt ratio of 60 per cent (2001 - 60 per cent).
- Return on equity of 11 per cent (2001 - 3 per cent).
- Dividends declared to CIC of \$82.3 million (2001 - \$16.0 million).

2003 OUTLOOK

- Competition continues to erode margins from traditional services, and competitive pressures from wireless and Internet providers continue to increase. SaskTel will continue to look for ways to grow and diversify to offset these pressures.
- SaskTel expects losses from diversified operations in 2003 and 2004. After this, many investments currently in the start-up phase are expected to mature and generate operating profits.
- SaskTel will continue to focus on cost savings through the implementation of operational efficiency initiatives.

KEY FACTORS AFFECTING PERFORMANCE

- Ability to develop new products and services to support SaskTel's growth and diversification initiatives.
- Next generation technologies delivering Internet protocol products and services through traditional and new, non-traditional competitors.
- Ability to realize cost savings from process improvements while maintaining a high quality of customer service.
- Canadian Radio-television and Telecommunications Commission decisions on price cap appeals and national fund adjustments.
- Competitive pressures in Internet, wireless and long distance markets.

KEY FINANCIAL DATA

- Total assets \$1.2 billion (2001 - \$1.2 billion).
- Debt ratio of 40 per cent (2001 - 41 per cent).
- Return on equity of 10 per cent (2001 - 16 per cent).
- Dividend declared to CIC of \$58.6 million (2001 - \$91.3 million).

MANAGEMENT'S DISCUSSION & ANALYSIS

UTILITIES (CONTINUED)

SaskEnergy

YOUR NATURAL CHOICE®

PROFILE

SaskEnergy has the legislated franchise for the distribution and transmission of natural gas within Saskatchewan. The distribution system provides natural gas service to over 320,000 residential, farm, commercial and industrial customers over a 65,000 kilometre distribution system. The transmission system provides transportation service to the distribution system, producers, marketers and large volume end-use customers within Saskatchewan. As of December 31, 2002, SaskEnergy had 808 permanent full-time employees.

SaskEnergy has seven wholly-owned subsidiaries:

- TransGas Limited - natural gas transportation and storage;
- Many Islands Pipe Lines (Canada) Limited - transports natural gas to and from other jurisdictions;
- Bayhurst Gas Limited - natural gas royalty interests;
- SaskEnergy International Incorporated - international consulting services and holds equity investments;
- Swan Valley Gas Corporation - natural gas distribution utility in the Swan Valley area of western Manitoba;
- Saskatchewan First Call Corporation - operates a database of certain Saskatchewan pipeline facility locations for use by landowners and others; and,
- 6019021 Canada Inc. - holds SaskEnergy's interest in a natural gas distribution franchise in Nova Scotia.

2002 RESULTS

- Earnings of \$6.9 million (2001 - \$15.4 million loss). In 2001, SaskEnergy absorbed \$75.9 million of gas costs to benefit customers. During 2002, SaskEnergy's gas costs exceeded related revenue by \$41.2 million.
- Revenues of \$277.3 million (2001 - \$291.6 million) declined due to lower revenue on gas sales from certain storage facilities.
- Operating expenses were \$245.8 million (2001 - \$245.6 million).
- Debt decreased to \$791.8 million (2001 - \$841.8 million) primarily due to lower financing requirements for natural gas in storage and a smaller loss on commodity sales relative to 2001.
- Capital spending was \$56.8 million (2001 - \$57.9 million), primarily for new customer connections and supporting pipeline system expansion and pipeline integrity programs.
- SaskEnergy's commodity rate to its customers was the second lowest of the provincial utilities in 2002.
- Net Saskatchewan distribution customer additions were 2,030 (2001 - 1,164).
- TransGas' throughput increased by seven per cent in 2002.



SaskWater
The Quality Advantage

PROFILE

The new SaskWater was established October 1, 2002 with the proclamation of **The Saskatchewan Water Corporation Act (2002)**. Through this Act, SaskWater became a fully commercial Crown corporation providing water, wastewater and related services to municipal, industrial, government and domestic customers in the Province. Water resource management activities were transferred to the new Saskatchewan Watershed Authority. Those activities are included as discontinued operations in SaskWater's 2002 financial statements. 2001 comparative information has been restated to reflect ongoing operations.

SaskWater owns and operates 23 regional water supply systems, five municipal water treatment systems, two wastewater treatment systems and four irrigation projects in the Province. These regional and municipal systems serve 34 industrial customers and over 30,000 Saskatchewan residents in 46 municipalities.

Headquartered in Moose Jaw, the new SaskWater has 71 permanent employees and offices in Watrous, Nipawin, Prince Albert, Saskatoon, Hanley, Wakaw and Melfort.

2002 RESULTS

- Loss was \$3.3 million comprised of \$2.0 million for utility operations and \$1.3 million from discontinued operations transferred to the Saskatchewan Watershed Authority (2001 - \$4.2 million loss comprised of \$0.3 million from utility operations and \$3.9 million from discontinued operations).
- Revenues were \$14.5 million (2001 - \$14.8 million restated).
- Expenses were \$16.5 million (2001 - \$15.1 million restated). The increase was largely due to administrative overhead expenses that were not included as utility specific expenses in prior years.
- Debt was \$49.6 million (2001 - \$41.1 million).
- Capital spending of \$5.7 million (2001 - \$0.9 million) was primarily for the construction of the Cory Cogeneration and Hague pipeline projects.
- Expansions resulted in over 1,000 additional Saskatchewan residents receiving improved quality drinking water.
- Total water sales decreased to 3.8 billion gallons (2001 - 3.9 billion gallons) primarily due to a decrease in raw water sales to industrial and commercial customers.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK

- Future distribution utility rate adjustments would be subject to review by the Saskatchewan Rate Review Panel.
- After three years without a rate increase, TransGas Limited implemented an average two per cent rate increase January 1, 2003.
- In 2003, SaskEnergy and its partners were awarded the natural gas distribution franchise for a certain area in Nova Scotia.
- SaskEnergy will actively pursue new customer connections and TransGas will explore potential storage development projects within the Province.

KEY FACTORS AFFECTING PERFORMANCE

- Weather: A one per cent change in winter temperature affects net income by approximately \$0.7 million (warmer weather decreases, colder weather increases).
- Energy conservation efforts of customers.
- Volatility of natural gas prices.
- Energy transported on the transmission system can be affected by the level of natural gas production in Saskatchewan and by the demand for natural gas within the Province.

KEY FINANCIAL DATA

- Total assets of \$1.3 billion (2001 - \$1.4 billion).
- Debt ratio of 73 per cent (2001 - 74 per cent).
- Return on equity of two per cent (2001 - negative five per cent). This includes the gas cost absorption of \$41.2 million in 2002 (2001 - \$75.9 million).
- Dividend declared to CIC of \$4.5 million (2001 - \$ Nil).

2003 OUTLOOK

- Results are expected to be similar to 2002.
- SaskWater expects to invest \$10.5 million in municipal and industrial water supply and treatment infrastructure projects in the Province.
- Net water sales revenues are expected to remain stable and possibly rise marginally if current drought conditions continue.

KEY FACTORS AFFECTING PERFORMANCE

- One-third of SaskWater's revenue is dependant upon demand from the potash and fertilizer industries.
- Sales levels to municipal customers are dependent on weather conditions.
- These factors are mitigated by the use of long-term supply contracts with minimum take-or-pay volume requirements.

KEY FINANCIAL DATA

- Total assets of \$70.1 million (2001 - \$70.3 million).
- SaskWater is incurring losses and is not expected to declare a dividend to CIC in 2003.
- Debt ratio of 77 per cent (2001 - 69 per cent restated).

UTILITIES (CONTINUED)



Information
Services
Corporation
of Saskatchewan

PROFILE

Information Services Corporation of Saskatchewan (ISC) was established on January 1, 2000. It is responsible for the administration of land titles and survey legislation, and the Personal Property Registry (PPR). Its mandate includes the re-evaluation, redesign and automation of Saskatchewan's Land Titles system and its integration with the Provincial Survey, Mapping and Geographic Information Systems, including the development of a foundation for common services.

Effective January 1, 2000, ISC assumed the assets and operations of the provincial land titles system, previously part of Saskatchewan Justice, as well as the SaskGeomatics Division of Saskatchewan Property Management Corporation (SPMC). Effective January 1, 2001, ISC assumed the operations of the PPR of Saskatchewan Justice.

As of December 31, 2002, ISC employed 502 staff, roughly half of whom held term positions.

2002 RESULTS

- Loss was \$6.2 million (2001 - \$6.3 million) after \$14.3 million in operating grants from CIC (2001 - \$5.3 million grant for an early retirement program and \$4.0 million for operations).
- Prior to the transfer to ISC, revenue related to the land titles search and registration and PPR was paid to the GRF. ISC continued this practice in 2002 and remitted payments to the GRF of \$11.7 million (2001 - \$11.7 million), comprised of \$8.0 million for land titles and \$3.7 million for PPR.
- Revenues were \$27.2 million (2001 - \$27.4 million).
- Operating expenses were \$36.0 million (2001 - \$26.0 million) reflecting the operations of Land Titles, Geomatics, and the PPR. Increases in amortization and interest account for the bulk of the change.
- Debt was \$61.4 million (2001 - \$47.2 million) due to development costs associated with the Land Titles Automated Network Development (LAND) System and to continue funding operating activities.
- Capital spending was \$13.7 million (2001 - \$24.3 million), primarily related to the LAND System.

TRANSPORTATION



The Bus Company

PROFILE

Saskatchewan Transportation Company (STC) is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates depots in Regina, Saskatoon and Prince Albert. It serves 275 communities in the Province, providing more than 3.2 million passenger miles in service each year.

STC has 234 employees.

2002 RESULTS

- Loss before grant was \$4.0 million (2001 - \$3.4 million).
- CIC provided grants of \$4.8 million (2001 - \$3.8 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were \$13.4 million (2001 - \$13.6 million).
- Operating expenses were \$17.5 million (2001 - \$17.0 million).
- Capital expenditures were \$1.8 million (2001 - \$2.0 million).

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
- ISC's focus will be on identifying and meeting customer needs and responding with ongoing system and process improvements. - Completion of title conversion is expected by the end of April 2003 and GIS conversion is expected by year-end. - ISC will continue to build and maintain corporate infrastructure necessary to support the LAND System, Geomatics, Land Titles, and PPR operations. - ISC is not expected to earn a profit in 2003. Financial performance is expected to improve once the new LAND System is functioning at a satisfactory level, and operational efficiencies are achieved. A rebalanced fee model, projected to be implemented in April 2003, combined with the suspension of the requirement to pay \$2.9 million quarterly to the GRF, will improve ISC's results.	- Volume of searches and registrations. - Completion of LAND System conversion activities. - Customer satisfaction.	- Total assets of \$88.7 million (2001 - \$85.6 million). - ISC is incurring start-up losses and is not expected to declare a dividend to CIC in 2003.

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
- STC anticipates a decrease of approximately \$0.2 million in its cash shortfall due to cost reduction measures. - The company expects capital spending of \$2.8 million in 2003, mainly for coach replacement. - STC does not anticipate significant changes to its routes. - STC will be monitoring the federal government's response to the Senate report on bus service deregulation. - As a result of an audit that was conducted at STC to determine compliance with The Employment Equity Act (Canada), STC may request additional capital funding in 2003 to upgrade its facilities to improve accessibility.	- Fuel prices. - Declining freight market due to depressed rural economy. - Declining passenger base due to changing demographics.	- Total assets of \$79.3 million (2001 - \$18.5 million). - STC received an operating grant of \$2.4 million from CIC (2001 - \$2.0 million). - STC received a capital grant of \$2.4 million from CIC (2001 - \$1.8 million). - STC has no debt. - Cash operating loss of \$2.3 million (2001 - \$1.9 million).

MANAGEMENT'S DISCUSSION & ANALYSIS

UTILITIES (CONTINUED)



Information
Services
Corporation

PROFILE

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- Operating expenses were \$36.0 million (2001 - \$26.0 million) reflecting the operations of Land Titles, Geomatics, and the PPR. Increases in amortization and interest account for the bulk of the change.
- Debt was \$61.4 million (2001 - \$47.2 million) due to development costs associated with the Land Titles Automated Network Development (LAND) System and to continue funding operating activities.
- Capital spending was \$13.7 million (2001 - \$24.3 million), primarily related to the LAND System.

TRANSPORTATION



PROFILE

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- CIC provided grants of \$4.8 million (2001 - \$3.8 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were \$13.4 million (2001 - \$13.6 million).
- Operating expenses were \$17.5 million (2001 - \$17.0 million).
- Capital expenditures were \$1.8 million (2001 - \$2.0 million).

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
- ISC's focus will be on identifying and meeting customer needs and responding with ongoing system and process improvements. - Completion of title conversion is expected by the end of April 2003 and GIS conversion is expected by year-end. - ISC will continue to build and maintain corporate infrastructure necessary to support the LAND System, Geomatics, Land Titles, and PPR operations. - ISC is not expected to earn a profit in 2003. Financial performance is expected to improve once the new LAND System is functioning at a satisfactory level, and operational efficiencies are achieved. A rebalanced fee model, projected to be implemented in April 2003, combined with the suspension of the requirement to pay \$2.9 million quarterly to the GRF, will improve ISC's results.	- Volume of searches and registrations. - Completion of LAND System conversion activities. - Customer satisfaction.	- Total assets of \$59.7 million (2001 - \$55.6 million). - ISC is incurring start-up losses and is not expected to declare a dividend to CIC in 2003.

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
- STC anticipates a decrease of approximately \$0.2 million in its cash shortfall due to cost reduction measures. - The company expects capital spending of \$2.8 million in 2003, mainly for coach replacement. - STC does not anticipate significant changes to its routes. - STC will be monitoring the federal government's response to the Senate report on bus service deregulation. - As a result of an audit that was conducted at STC to determine compliance with The Employment Equity Act (Canada), STC may request additional capital funding in 2003 to upgrade its facilities to improve accessibility.	- Fuel prices. - Declining freight market due to depressed rural economy. - Declining passenger base due to changing demographics.	- Total assets of \$19.3 million (2001 - \$18.5 million). - STC received an operating grant of \$2.4 million from CIC (2001 - \$2.0 million). - STC received a capital grant of \$2.4 million from CIC (2001 - \$1.8 million). - STC has no debt. - Cash operating loss of \$2.3 million (2001 - \$1.9 million).

MANAGEMENT'S DISCUSSION & ANALYSIS

INSURANCE



PROFILE

SGI, under the trade name of SGI CANADA, conducts a competitive property and casualty insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverage. SGI acts as the administrator of the Saskatchewan Auto Fund, the Province's compulsory vehicle insurance program (see below). SGI CANADA Insurance Services Ltd. (SCISL), a subsidiary of SGI, sells insurance in other provinces directly and through companies it acquired in 2001, the Insurance Company of Prince Edward Island (ICPEI) and Coachman Insurance Company of Ontario (Coachman).

SGI employs more than 1,500 full-time and part-time permanent employees and operates 20 claims centres and five salvage centres in 13 communities across the Province.

Saskatchewan Auto Fund

The Saskatchewan Auto Fund (the Fund) is a compulsory provincial vehicle insurance program administered by SGI. The Fund provides vehicle registrations, driver's licences and related services for more than 830,000 vehicles and 665,000 drivers in Saskatchewan. The Fund is intended to operate on a break-even basis over time.

The Fund is not a CIC subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Fund. The results of the Fund are not included in CIC's or SGI's consolidated financial statements.

2002 RESULTS

- Loss was \$8.8 million (2001 - earnings of \$10.2 million). The loss primarily reflected the combination of lower investment earnings and an \$11.3 million net loss on its Ontario operations (Coachman).
- Revenues were \$225.6 million (2001 - \$206.5 million restated). Growth in Saskatchewan premiums and a full year impact of growth from new subsidiaries was partially offset by a decline in investment earnings, mainly due to lower gains realized on the sale of investments and larger investment write-downs.
- Claims and expenses totaled \$233.5 million (2001 - \$197.5 million restated). The growth is primarily due to 2001 results only including six months of Coachman operations, combined with an increase in Ontario automobile claims costs in relation to premiums.
- Capital spending totaled \$0.2 million (2001 - \$1.9 million).

- Earnings were \$0.9 million (2001 - \$18.8 million).
- The Rate Stabilization Reserve was \$2.8 million (2001 - \$2.0 million).
- Revenues were \$513.2 million (2001 - \$510.2 million). Higher premium revenues were partially offset by lower investment earnings. There was no general rate increase in 2002 or 2001.
- Total claims and expenses were \$512.4 million (2001 - \$491.4 million). Claims costs increased by \$15.3 million primarily due to a higher number and cost of collision claims. Other expenses increased \$5.7 million.
- Capital spending was \$4.9 million (2001 - \$13.8 million).

HARO Financial Corporation (HARO) (and its subsidiary, Crown Life Insurance Company)

PROFILE

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). CIC owns 68 million non-voting, common shares of HARO at a cost of \$68.0 million, and has a term loan to HARO totaling \$139.0 million. HARO holds a 65.2 per cent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life).

In 2000, Crown Life repurchased all of the common shares not owned by its two major shareholders, HARO and Extendicare. As a result, Crown Life is no longer a publicly traded company.

2002 RESULTS

- Crown Life's performance determines HARO's capacity to service its term loan from CIC. In 2002, HARO received dividends of \$40.1 million that were applied to principal and interest on its term loan.
- The winding down of Crown Life's insurance business continued.
- Crown Life sold a wholly-owned subsidiary, Crown Capital Partners Inc. (CCPI), to Crown Life management in 2002. CCPI manages the Saskatchewan Government Growth Fund companies, Crown Venture Fund and Crown Fund 1.
- In 2002, Crown Life fully repaid a note payable to Canada Life in the amount of \$69.3 million.
- A \$60 million Crown Fund 1 was established to invest in western Canadian private equity. CCPI acts as manager of the fund. To date, \$36.8 million has been placed.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK

- The insurance market is expected to continue to reflect pressure to restore underwriting profitability in the face of declining capital markets and reduced returns on investments.
- Changes to Ontario automobile insurance are expected in mid-2003 due to the Ontario government's introduction of new legislation. Major operational initiatives to restore profitability in Coachman include significant increases in auto insurance rates, movement to six-month policy terms, and implementation of stringent underwriting guidelines.
- SGI CANADA expects to earn a profit.
- Programs were introduced in 2002 including Safe Driver Recognition and enhancements to No Fault injury coverage.
- Choice in injury coverage was initiated and residents can choose between No Fault and Tort Coverage effective January 1, 2003.

KEY FACTORS AFFECTING PERFORMANCE

- Weather conditions.
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigate the effect of adverse weather conditions in Saskatchewan.
- Capital markets have a significant impact on investment earnings and profitability.
- Competition and legislation in the markets that SGI CANADA and its subsidiaries operate.
- Winter driving conditions and summer storm activity have a significant effect on the financial results of the Fund.
- Reinsurance protection is purchased to mitigate the effect of catastrophic events.
- Capital markets have a significant impact on investment earnings.

KEY FINANCIAL DATA

- Total assets of \$450.2 million (2001 - \$410.5 million).
- Return on equity of negative 10 per cent (2001 - 11 per cent).
- Dividend declared to CIC - \$ Nil (2001 - \$9.2 million).
- Net risk ratio* of 2.8 (2001 - 2.3).
- * Premiums written in relation to statutory capital and surplus, a performance indicator widely used in the insurance industry.

2003 OUTLOOK

- To meet its obligations to Canada Life under the sale, Crown Life retains approximately \$1.1 billion in assets, of which approximately one-half are being held to support the policyholder and other liabilities.
- The business strategy is the orderly liquidation of the majority of assets to retire liabilities and return the balance to shareholders.
- HARO expects to receive a distribution of \$86 million from Crown Life that will be applied to the term loan.
- CIC and Extendicare are evaluating the options for management of the residual assets and liabilities after the second close with Canada Life, which is anticipated on December 31, 2003.

KEY FACTORS AFFECTING PERFORMANCE

- As HARO's only asset is Crown Life shares, its financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
 - North American real estate markets;
 - risk management practices;
 - investment performance; and,
 - the outcome of outstanding insurance litigation issues.

KEY FINANCIAL DATA

- Contribution to consolidated financial results:

revenue	- \$8.3 million
(2001	- \$8.5 million)
earnings	- \$8.3 million
(2001	- \$8.5 million)
assets	- \$207.0 million
(2001	- \$239.1 million)

MANAGEMENT'S DISCUSSION & ANALYSIS

COMMODITY-BASED INVESTMENTS

NewGrade Energy Inc. (NewGrade)

PROFILE

NewGrade operates a heavy oil upgrading facility in Regina. It is owned equally by CIC and Consumers' Co-operative Refineries Limited (CCRL), a wholly-owned subsidiary of Federated Co-operatives Limited of Saskatoon. NewGrade has an annual processing capacity of approximately 21 million barrels of heavy crude oil.

NewGrade has approximately 183 permanent employees.

2002 RESULTS

- Despite lower price differentials than in 2001, NewGrade recorded positive net earnings in 2002. Contributing factors to the successful year included increased throughputs, improved synthetic crude pricing and volumes, and lower natural gas prices.
- The average price differential between NewGrade's heavy crude oil feedstock and its reconstituted crude product was above operating break-even levels for the entire year.
- The shareholders received cash repayments of previously advanced cash deficiency funding during 2002:
CIC - \$16.7 million (including \$1.0 million of interest);
CCRL - \$10.0 million (including \$0.5 million of interest).
This reduced the balance outstanding on these loans to nil. CCRL was also repaid \$12.8 million on its non-interest bearing project loans.

Centennial Foods Partnership (Centennial)

PROFILE

Centennial is a value-added manufacturing and distribution business for meat, seafood and other related food products.

Centennial has production locations in Saskatoon and Calgary as well as foodservice operations across western Canada. Centennial employs 150 people at its Saskatoon facility.

2002 RESULTS

- Centennial has completed construction of its facility in Saskatoon. The facility is in full operation running three lines on double shifts.
- Centennial experienced strong sales growth. However, extra costs associated with transition, start-up and amortization of goodwill led to a net loss for the year.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA												
• Industry analysts forecast price differentials to remain fairly high compared to historic levels. • NewGrade expects to process about the same volume of heavy crude as in 2002. • Financial performance is expected to remain strong compared to historical results, due to the combination of continuing relatively high price differentials and increased throughput. • A dividend to the shareholders is expected at the end of 2003.	• Price differentials. At budgeted operating levels, a \$1 per barrel change in the price differential affects annualized earnings and cash flow by \$19.9 million. • Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa. • The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt. • Natural gas input costs. A \$0.10 per gigajoule change in the price of natural gas affects annualized earnings and cash flow by \$1.0 million.	• Contribution to consolidated financial results (by NewGrade fiscal year): <table><tr><td>revenue</td><td>- \$308.8 million</td></tr><tr><td>(2001)</td><td>- \$304.7 million)</td></tr><tr><td>earnings</td><td>- \$8.5 million</td></tr><tr><td>(2001)</td><td>- \$51.8 million)</td></tr><tr><td>assets</td><td>- \$108.8 million</td></tr><tr><td>(2001)</td><td>- \$118.5 million)</td></tr></table>	revenue	- \$308.8 million	(2001)	- \$304.7 million)	earnings	- \$8.5 million	(2001)	- \$51.8 million)	assets	- \$108.8 million	(2001)	- \$118.5 million)
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2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA												
• Centennial expects modestly improved operating results. • With construction of the new plant completed, Centennial is focusing on retrofitting its old raw processing plant in Calgary to allow it to handle newly modified production requirements. This will require a phase-in period once complete. • Modest improvement in market conditions is expected.	• Commodity protein prices for beef, and to a smaller degree, pork and poultry. • Successful completion of retrofit and subsequent ramping up of production at the old raw processing plant in Calgary. • Ability to bring the Saskatoon operation to optimum efficiency for its first full year of production. • Costs associated with maintaining quality control standards as prescribed by industry regulators. • Ability to diversify product lines to decrease seasonality.	• Contribution to consolidated financial results (by Centennial fiscal year): <table><tr><td>revenue</td><td>- \$88.6 million</td></tr><tr><td>(2001)</td><td>- \$82.9 million)</td></tr><tr><td>loss</td><td>- \$1.4 million</td></tr><tr><td>(2001)</td><td>- \$8.3 million)</td></tr><tr><td>assets</td><td>- \$33.2 million</td></tr><tr><td>(2001)</td><td>- \$38.3 million)</td></tr></table>	revenue	- \$88.6 million	(2001)	- \$82.9 million)	loss	- \$1.4 million	(2001)	- \$8.3 million)	assets	- \$33.2 million	(2001)	- \$38.3 million)
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- Centennial experienced strong sales growth. However, extra costs associated with transition, start-up and amortization of goodwill led to a net loss for the year.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA						
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loss (2001)	- \$1.4 million - \$0.3 million)							
assets (2001)	- \$33.2 million - \$30.3 million)							

COMMODITY-BASED INVESTMENTS (CONTINUED)

Meadow Lake Pulp Limited Partnership (MLPLP)

PROFILE

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills.

The mill has produced up to an annualized rate of 300,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. CIC owns 50 per cent of MLPLP, with Millar Western Industries Ltd. holding the remaining 50 per cent. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as its fibre source.

MLPLP has 167 employees and provides an additional 245 jobs in the woodlands.

2002 RESULTS

- MLPLP's financial performance was negatively impacted by poor pulp prices. However, strong sales volumes resulted in improved performance over 2001. Pulp prices were weak in the first half of the year and strengthened moderately in the last half of the year. Pulp prices were affected by the poor performance of the printing and writing paper markets, primarily in Europe and North America.
- MLPLP refinanced both its term debt and operating facility during 2001. Due to the continued weak pulp prices, CIC was required under its guarantee to make principal payments of \$8 million on behalf of MLPLP.

Meadow Lake OSB Limited Partnership (ML OSB)

PROFILE

ML OSB has begun to construct an oriented strand board (OSB) plant near Meadow Lake, Saskatchewan.

The proposed plant will annually produce 600 million square feet (3/8 inch basis) of OSB, using underutilized wood resources from Meadow Lake and surrounding area. The plant will operate 24 hours per day year-round and employ approximately 130 people in the plant and a further 130 in woodlands operations.

2002 RESULTS

- Construction is currently on budget (\$220 million) and expected to be completed on time in fall 2003.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK

- Pulp prices are expected to strengthen in 2003.
- During 2003, MLPLP is undertaking a capital improvement plan that will improve product quality, increase production capacity and decrease costs.

KEY FACTORS AFFECTING PERFORMANCE

- Market pulp prices. Prices are highly dependent on the world economic climate.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Most pulp sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.
- Input costs such as bleaching chemicals and wood (including stumpage and reforestation costs).

KEY FINANCIAL DATA

- Contribution to consolidated financial results:

revenue	- \$66.2 million
(2001)	- \$58.5 million)

loss	- \$2.3 million
(2001)	- \$15.0 million)

assets	- \$167.1 million
(2001)	- \$168.2 million)

2003 OUTLOOK

- ML OSB will begin manufacturing of commercially saleable board in fall 2003.
- Prices are expected to be low to moderate in late 2003, increasing through 2004.

KEY FACTORS AFFECTING PERFORMANCE

- Market OSB prices.
- U.S. dollar exchange rate. A lower exchange value for the Canadian dollar increases the price received.
- The mill is not yet completed; construction and start-up risk still exists.
- Input costs such as resin and wood (including stumpage and reforestation costs).

KEY FINANCIAL DATA

- Contribution to consolidated financial results:

Not applicable
- mill not yet completed.

COMMODITY-BASED INVESTMENTS (CONTINUED)

Saskferco Products Inc. (Saskferco)

PROFILE	2002 RESULTS
Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 73,000 tonnes of anhydrous ammonia for sale and 930,000 tonnes of granular urea, marketed in Canada and the northern United States. CIC owns 49 per cent of Saskferco, Cargill Limited (Canada) 50 per cent, and Citibank Canada one per cent. Saskferco has 139 permanent employees and 36 contract positions.	Earnings were greater than in 2001, due to higher urea and ammonia prices and lower natural gas prices.

Big Sky Farms Inc. (Big Sky)

PROFILE	2002 RESULTS
Big Sky operates a number of large scale, three site, farrow-to-finish hog production facilities throughout Saskatchewan utilizing modern design and production methods. The company markets live hogs in Canada and the United States. Big Sky currently has a breeding herd of approximately 20,000 sows capable of producing 440,000 market hogs annually. During 2002, the company undertook further expansion, beginning work on another production unit, which will add 5,000 sows to the breeding herd. The expansion is expected to be in full production by the second half of 2003. CIC invested \$15.0 million in convertible preferred shares in Big Sky in 2000. CIC has a 41.2 per cent interest in the company. Big Sky has 300 employees.	- Big Sky's results for 2002 were mixed. Results for the first half of the year were positive. Declining market prices for hogs and increasing feed prices, primarily due to ongoing drought conditions, affected results in the second half. - Big Sky concentrated on improving production and operating efficiencies as they brought the most recent expansion fully on line during 2002.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA								
• Saskferco is projecting a profit in 2003. • Natural gas prices are expected to be significantly higher than in 2002. • Fertilizer prices are expected to remain strong during the year given lower stocks of corn and grain and rising prices for these commodities.	• Urea and ammonia market prices. • Major input costs such as natural gas. • U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by its effect on the cost of servicing U.S. debt.	• Contribution to consolidated financial results:<table><tr><td>earnings</td><td>- \$6.3 million</td></tr><tr><td>(2001)</td><td>- \$3.2 million)</td></tr><tr><td>assets</td><td>- \$116.1 million</td></tr><tr><td>(2001)</td><td>- \$100.3 million)</td></tr></table>	earnings	- \$6.3 million	(2001)	- \$3.2 million)	assets	- \$116.1 million	(2001)	- \$100.3 million)
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2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA								
• Big Sky expects to return to profitability in the first quarter of 2003. • Market hog prices started 2003 at relatively low levels. Prices are expected to trend upward during 2003. • Big Sky believes feed prices have peaked and expects declining feed costs in 2003, assuming drought conditions do not persist for another year. • Construction of the company's sixth production unit is progressing and should be fully operational during 2003. • Big Sky has plans to continue expanding operations through to 2008.	• Market hog prices. Big Sky uses price hedges to reduce its exposure to market fluctuations. • Feed costs. Big Sky also uses price hedges to reduce exposure to market fluctuations in feed prices. • Disease outbreaks can have a significant impact on results. Big Sky follows veterinary protocols to lessen the risk of disease. The use of "three site" production units also reduces the risk of disease related problems.	• Contribution to consolidated financial results:<table><tr><td>loss</td><td>- \$0.2 million</td></tr><tr><td>(2001)</td><td>- \$0.9 million earnings)</td></tr><tr><td>assets</td><td>- \$14.9 million</td></tr><tr><td>(2001)</td><td>- \$15.3 million)</td></tr></table>	loss	- \$0.2 million	(2001)	- \$0.9 million earnings)	assets	- \$14.9 million	(2001)	- \$15.3 million)
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MANAGEMENT'S DISCUSSION & ANALYSIS

COMMODITY-BASED INVESTMENTS (CONTINUED)

Saskferco Products Inc. (Saskferco)

PROFILE

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 73,000 tonnes of anhydrous ammonia for sale and 930,000 tonnes of granular urea, marketed in Canada and the northern United States.

CIC owns 49 per cent of Saskferco, Cargill Limited (Canada) 50 per cent, and Citibank Canada one per cent.

Saskferco has 139 permanent employees and 36 contract positions.

2002 RESULTS

- Earnings were greater than in 2001, due to higher urea and ammonia prices and lower natural gas prices.

Big Sky Farms Inc. (Big Sky)

PROFILE

Big Sky operates a number of large scale, three site, farrow-to-finish hog production facilities throughout Saskatchewan utilizing modern design and production methods. The company markets live hogs in Canada and the United States.

Big Sky currently has a breeding herd of approximately 20,000 sows capable of producing 440,000 market hogs annually. During 2002, the company undertook further expansion, beginning work on another production unit, which will add 5,000 sows to the breeding herd. The expansion is expected to be in full production by the second half of 2003.

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Big Sky has 300 employees.

2002 RESULTS

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- Big Sky concentrated on improving production and operating efficiencies as they brought the most recent expansion fully on line during 2002.

MANAGEMENT'S DISCUSSION & ANALYSIS

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MANAGEMENT'S DISCUSSION & ANALYSIS

ECONOMIC GROWTH



PROFILE

During 2002, the Saskatchewan Opportunities Corporation (SOCO) supported economic growth and job creation through investments and investing in research park infrastructure that supports economic activity. SOCO operates Innovation Place and the Regina Research Park. These research parks attract businesses that lead development in their respective sectors. The unique, specialized needs of these businesses are fulfilled at the parks.

In March 2002, as part of the general government restructuring, the Government announced that SOCO would be wound down. As a result of this announcement, 21 positions were eliminated.

SOCO staff has assisted with the reorganization and transfer of investment staff and responsibilities to CIC. Ten staff from SOCO's investment division transferred to CIC on May 1, 2002. Formal transfer of the investment portfolio took place on October 9, 2002. In 2002, the investment division was accounted for as discontinued operations. 2001 comparative information has been restated to reflect ongoing operations.

At December 31, 2002, SOCO had 65 employees.

2002 RESULTS

- Loss was \$1.4 million: \$2.6 million loss from continuing operations and earnings of \$1.2 million from discontinued operations (2001 - \$2.2 million loss comprised of \$0.7 million loss from continuing and \$1.5 million loss from discontinued operations).
- Revenues of \$22.2 million (2001 - \$20.3 million restated) including GRF grants of \$4.4 million (2001 - \$4.6 million restated).
- Operating revenues increased primarily due to higher occupancy rates at Innovation Place and the Regina Research Park.
- Expenses of \$24.7 million (2001 - \$21.0 million restated) increased largely due to higher interest costs and expenses related to a new building at Innovation Place. In addition, SOCO incurred wind-down costs in 2002.
- Debt was \$142.3 million (2001 - \$137.2 million restated).



SASKATCHEWAN GOVERNMENT
GROWTH FUND

PROFILE

Saskatchewan Government Growth Fund Management Corporation (SGGF) participates in the federal government's Immigrant Investor Program (IIP). This program acquires lower cost capital for commercial investment in Saskatchewan, providing small and medium-sized businesses with capital to grow and prosper, and thereby facilitating long-term economic growth and development for the Province. The IIP under which SGGF operates ended on March 31, 1999. However, with a significant number of subscribers yet to complete their subscription requirements, the funds raised will require management for at least the next six years.

Investment capital is raised through eight subsidiary fund companies, SGGF Ltd., SGGF II, SGGF III, SGGF IV, SGGF V, SGGF VI, SGGF VII, and SGGF VIII (the Funds). SGGF contracts the management services for the Funds to Crown Capital Partners Inc., a fund manager. The Funds are not consolidated with SGGF unless there are residual profits in a fund after all investor capital has been repaid. The results for SGGF Ltd. are consolidated with SGGF.

Through its fund companies, SGGF has raised more than \$282 million of immigrant investor capital since its inception in 1989, making it one of the largest immigrant investor funds in Canada.

2002 RESULTS

- Loss of \$0.4 million (2001 - \$2.7 million loss) includes a \$0.6 million provision for investment losses (2001 - \$3.4 million).
- Revenues of \$3.4 million (2001 - \$4.0 million) reflect the declining asset base in the fund companies, reducing the service fees associated with the administration of the Funds.
- Expenses of \$3.1 million (2001 - \$3.3 million) reflect the decline in costs to administer the Funds, partially offset by a one-time legal settlement cost.
- No payments were made to the remaining 31 investors in SGGF II because of insufficient cash resources. Future payments to these investors are dependent on the ability of the fund to liquidate its remaining investments.
- SGGF III identified potential investment liquidity problems in 2001 that forced it to reduce repayments to investors at maturity to \$150,000. When the equity investments in question are liquidated, it is expected that additional payments will be made.
- The three newest funds launched in 1999 (SGGF VI, VII and VIII) continue to collect the full subscription amounts from subscribers.
- To the end of 2002, SGGF had, through its fund companies, invested more than \$244 million in 70 new or expanding businesses, including two leasing companies.

MANAGEMENT'S DISCUSSION & ANALYSIS

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
• An external advisor is conducting a study, to be delivered in 2003, on the governance and operations of the research parks.	• Credit risk. • Rental and property vacancy rates. • Interest rates.	• Total assets of \$148.8 million (2001 - \$148.9 million). • Debt ratio of 89 per cent (2001 - 88 per cent restated). • SOCO receives grants from the GRF and is not expected to declare a dividend to CIC.

2003 OUTLOOK	KEY FACTORS AFFECTING PERFORMANCE	KEY FINANCIAL DATA
• Each of SGGF's fund companies is at a different stage in its investment life cycle. • SGGF Ltd. continues the process of liquidating its remaining investments. • SGGF II and SGGF III will continue efforts to extract the most value from remaining investments in order to maximize payments to its investors. • SGGF IV and SGGF V have changed their focus to divestments of their portfolios in order to prepare for investor repayments that begin late in the year. • SGGF VI, VII and VIII will continue to seek out investment opportunities and work towards collection of the full subscription amount from remaining subscribers.	• Ability of the fund companies to place investor capital in eligible investments as defined by the IIP within nine months of receipt. • Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity. • Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management. • The speed at which the federal government processes immigrant investor applications for citizenship. • SGGF designs its management fee schedule so that it recovers costs and operates at or near break-even.	• Total assets of \$4.2 million (2001 - \$4.3 million). • Total assets under management of \$138.1 million (2001 - \$153.3 million). • Total net loss in the fund companies of \$3.1 million (2001 - \$12.6 million loss) due almost entirely to provisions for investment losses. • Dividend paid to the GRF of \$0.6 million (2001 - \$ 0.6).

MANAGEMENT'S DISCUSSION & ANALYSIS

ECONOMIC GROWTH



PROFILE

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INTRODUCTION

Corporate governance describes the processes, structures and functions used to direct and oversee the management of an organization so that it effectively fulfils its mandate. The Corporate Governance section details the mechanisms, structures and initiatives used to ensure effective governance for CIC and its subsidiaries.

CIC BOARD RESPONSIBILITIES

The CIC Board is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. At December 31, 2002, the CIC Board consisted of six members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council. The CIC Board is a key Cabinet committee performing a liaison function between Cabinet and Crown corporations, making decisions in its own right, and forwarding recommendations to Cabinet for consideration. The CIC Board met 23 times during 2002.

The CIC Board:

- approves the Crown Sector Strategic Plan;
- approves CIC's strategic direction, and operating plans and budgets proposed by CIC management;
- monitors and evaluates CIC's performance compared to plans;
- approves performance objectives and targets for subsidiary Crown corporations;
- allocates capital within the Crown sector;
- monitors and evaluates the performance of subsidiary Crown corporations;
- approves acquisition, sale and changes to the terms and conditions of major investments;
- monitors the performance of CIC's investments;
- approves CIC's annual financial statements;
- performs the functions of an audit and finance committee; and,
- meets with external auditors and the Provincial Auditor without management present.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN BOARD OF DIRECTORS

(at December 31, 2002)



HONOURABLE MAYNARD SONNTAG
Minister of Crown Investments
Corporation
Chair



HONOURABLE JOHN NILSON, Q.C.
Minister of Health
Vice-Chair



HONOURABLE RON OSIKA
Minister of Government Relations
Minister Responsible for SaskWater



HONOURABLE ELDON LAUTERMILCH
Minister of Industry and Resources
Government House Leader



HONOURABLE BUCKLEY BELANGER
Minister of Environment
Minister of Northern Affairs



HONOURABLE ERIC CLINE
Minister of Finance

HOLDING COMPANY GOVERNANCE

CIC MANAGEMENT RESPONSIBILITIES

- serves as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develops policy on Crown corporation and investment matters;
- serves as the CIC Board's communications link with investment partners and Crown boards and management;
- co-ordinates the implementation of policy within the Crown sector;
- manages CIC's operations;
- is responsible for the preparation, reliability and integrity of the financial statements; and
- proactively monitors emerging issues in CIC's business environment.



HOLDING COMPANY GOVERNANCE

As at December 31, 2002, CIC had staff of 81 in its five divisions organized as follows:

PRESIDENT'S OFFICE & General Counsel

Responsible for the overall direction of CIC. Included in the President's Office are the General Counsel and Corporate Secretary functions. The President's Office has seven employees.

CROWN CORPORATION SERVICES DIVISION

Develops and implements policy for the Crown corporation sector. In addition to providing corporate secretary services for Crown boards of directors, this division develops and implements the Crown performance management system, provides corporate management services and practices, and provides business analysis on matters requiring CIC Board and/or Cabinet approval. The division is responsible for coordinating the development of a strategic plan for the Crown sector and CIC, and for the development of CIC's performance management plan. It takes a broad, long-term view of emerging issues affecting CIC and the Crown sector from an economic, fiscal and public policy perspective. Human Resources and Communications are separate units within CIC, which report to the Senior Vice-President of Crown Corporation Services. Including these units, the Crown Corporation Services Division has 22 employees.

FINANCE AND ADMINISTRATION DIVISION

Provides sector-wide financial reporting and forecasting, and financial analysis to the Board on CIC and Crown corporation financial performance targets and capital allocation. The division is responsible for managing CIC's budget, financial transactions, cash and debt positions and dividend policy. It also provides corporate administrative support services and information technology services. This division has 15 employees.

INVESTMENTS DIVISION

Responsible for facilitating and enhancing economic growth in the Province of Saskatchewan by strategically investing in new business ventures and investment funds alongside private sector capital, and by prudently managing a diversified portfolio of commercially viable investments held primarily in CIC's wholly-owned subsidiary, CIC Industrial Interests Inc. The Division also pursues and develops public-private partnerships across government and the Crown sector. The Investments Division has 30 employees.

CAPITAL PENSION AND BENEFITS DIVISION

Responsible for the ongoing administration of the multi-employer Capital Pension Plan and a Group Benefits program. This division is responsible for administering the Pension Plan and Group Benefits program in accordance with their terms and conditions and applicable laws. It is also responsible for holding, in trust, the Pension Plan's Funds for the benefit of Members and any other persons entitled to benefits pursuant to the Plan. The division has seven employees.

CIC'S STRATEGIC AND PERFORMANCE MANAGEMENT MODEL

CIC communicates shareholder direction to subsidiary Crown corporations and monitors their respective performance against targets approved by the CIC Board. CIC uses the "Strategic and Performance Management Model", illustrated on the facing page. This illustration depicts the model's key elements: communicating strategy; establishing performance management objectives and targets; and, ensuring that actions taken by the Crown corporation subsidiaries are in alignment. It also shows the respective roles and responsibilities of the CIC and Crown corporation subsidiary Boards.

Communicating Strategy through the Crown Sector Strategic Plan

The first stage in the process is the development of the Crown Sector Strategic Plan. The Crown Sector Strategic Plan provides a guiding vision statement for the Crown sector. It defines the Crown sector's primary business purposes, common business values and strategic business objectives. CIC assumes the leadership role in the development of the Crown Sector Strategic Plan. The Crown Sector Strategic Plan's main objective is to clearly articulate shareholder expectations and to provide long-term direction to the Crown sector. This facilitates long-term planning and the development of corporate strategies within the individual Crown corporations that are aligned with the shareholder's overall strategic direction. In 2001, the CIC Board approved an updated four-year Crown Sector Strategic Plan.

Establishing Performance Objectives and Capital Allocation

The second stage in the process is performance management through the establishment of annual performance objectives and capital allocation. Each Crown corporation subsidiary prepares a comprehensive performance management plan that links the broad strategic directions established in the Crown Sector Strategic Plan with the specific activities detailed in its corporate business plan. The CIC Board annually reviews and approves each Crown corporation's performance management plan. The main feature of the performance management plan is the balanced scorecard. The balanced scorecard reflects a balanced view of corporate objectives, measures and targets from four core, and sometimes competing perspectives. The four perspectives are: Customers and Stakeholders; Financial; Public Purpose; and, Innovation and Learning Growth. Crown corporations may customize their balanced scorecards according to their unique needs and circumstances as long as they reflect the four core perspectives. Balanced scorecard objectives, measures and targets tie strategic, long-term corporate and sector-wide planning to each corporation's shorter term, operational business planning, business processes, and resource deployment, including capital allocation. During the year, balanced scorecards also serve as a reporting tool to communicate ongoing progress in the achievement of each Crown corporation's approved targets.

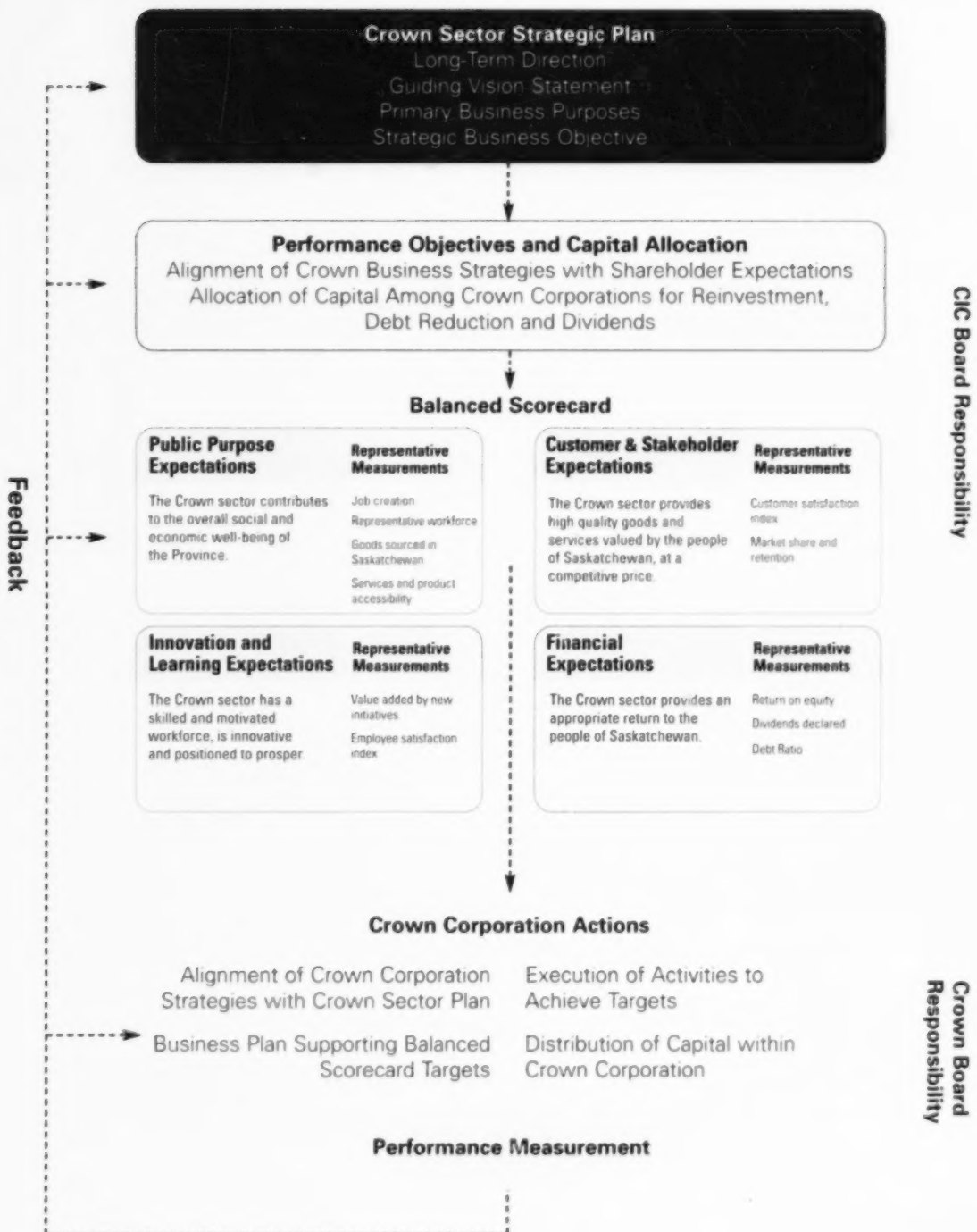
Alignment of Crown Corporation Actions

The last stage of the process is to ensure that actions taken by each Crown corporation are aligned with the Crown Sector Strategic Plan, that capital is appropriately distributed within the corporation, and that business plans are implemented to support high level balanced scorecard targets. This is the responsibility of each Crown corporation's respective board of directors. Each Crown corporation's annual report contains a summary of the key objectives, measures and targets of its balanced scorecard, demonstrating its linkage to the Crown Sector Strategic Plan and to its business initiatives, and reporting of actual versus planned progress in achieving its targets and objectives. In this way, performance management using the balanced scorecard helps to maintain Crown corporation accountability to the people of Saskatchewan.

The CIC Strategic and Performance Management Model is based on the principle of continuous improvement through timely feedback and process review.

CORPORATE GOVERNANCE

STRATEGIC AND PERFORMANCE MANAGEMENT MODEL



CORPORATE GOVERNANCE

SUBSIDIARY CROWN CORPORATION GOVERNANCE

CIC's governance initiatives are directed at strengthening the governance, performance and accountability of its subsidiary Crown corporation boards to assist them to discharge their responsibilities for overseeing and directing the management of Crown corporations.

Director Development

CIC is committed to providing the training needed by directors of Crown boards to enable them to perform effectively. In 2002, CIC delivered its fifth year of the Board Member Training Program. One orientation and two regular training sessions were held. The orientation session, intended for recently appointed directors, provided an introduction to the role and primary duties of boards and an overview of best governance practices. Topics addressed included: techniques and processes to support effective decision-making; the characteristics of high-functioning boards; board and director evaluation practices; board renewal strategies; the legal responsibilities and liabilities of directors; strategic and succession planning; and, a review of proposed changes to governance standards.

The first regular training session focused on setting the course for Saskatchewan Crown corporations, and provided board members from all subsidiary Crowns with an opportunity to discuss the challenges, successes and future direction of their industries and corporations. The second session focused on current issues in corporate governance, the fallout from and regulatory responses to Enron and the impact on the role of audit committees.

In response to the increased emphasis on audit committee responsibilities in 2002, CIC organized a special skills session for directors who wanted to enhance their financial literacy. Finance for the Non-Financial Board Member dealt with understanding financial statements, income determination and the role of the audit committee in relation to the external auditor and management. Several topical publications related to corporate governance were distributed as part of the Directors' Reading Program.

In 2003, CIC will continue to offer professional development opportunities to its subsidiary Crown board members.

Accountability and Board Performance

CIC has developed tools to assist Crown boards to evaluate and enhance overall board performance, and the performance of board chairs, committees and individual directors. In 2002, the subsidiary Crown boards focused on refining the director peer assessment process, with some boards also choosing to undertake a comprehensive board performance evaluation.

This year, CIC worked with the Crown boards to develop a standard format to enhance disclosure of governance practices. All subsidiary Crowns will include in their 2002 Annual Report a corporate governance statement that reports and benchmarks their governance practices to the Toronto Stock Exchange Corporate Governance Guidelines.

In 2003, an ad hoc committee comprised of the Governance Committee Chairs of the subsidiary Crown boards will review the current board, committee and director performance evaluation instruments and practices, and recommend changes or alternatives to them. The purpose of the review is to ensure that the processes remain dynamic and relevant to board members.

Board Renewal

Integral to the effectiveness of a board of directors is ensuring that the right mix of backgrounds and skill sets exist on the board. In 2002, to ensure that boards more closely reflect the population of the Province and to bring a new perspective to their deliberations, CIC revised its Crown Board of Directors Appointment Policy to require that Crown boards include in their membership a youth representative. There will be a priority on appointing youth representatives, defined as individuals between the ages of 18 and 29, to subsidiary Crown boards as vacancies arise.

Communicating Shareholder Expectations

The open exchange of shareholder expectations and views with its subsidiary Crown boards remains a priority for CIC. In 2002, senior CIC officials held five meetings, and the Minister of Crown Investments Corporation met once, with Crown board and governance committee chairs to discuss issues of mutual interest. Subsidiary Crown board chairs continued to submit regular reports to the CIC Board highlighting major Crown board activities and significant corporate initiatives.

To communicate general shareholder perspective, the Premier addressed all directors at the March board training session, and members of the CIC Board attended the session to share views regarding the strategic direction of the Crown sector.

In 2003, CIC will renew its efforts to enhance communication between the shareholder and the subsidiary Crown boards, with specific reference to reporting of the major risks and risk management activities. Another opportunity for the exchange of views between the CIC Board and all subsidiary Crown board members will be provided at the first regular board training session in 2003.

Governance Index Scorecard

In 1999, CIC engaged The Conference Board of Canada to compare its subsidiary Crown boards' governance practices to external benchmarks in the public and private sectors. Conference Board research indicates that Canada leads the world in governance practices, and that the governance practices reported by CIC Crown boards in 1999 scored in the top quartile when compared to other boards in Canada.

The Conference Board conducted a follow-up survey of Crown boards in 2001, with participant responses resulting in a Governance Index score of 16.75 out of a possible 20. This result compares favourably with the Crown boards' score of 15 in 1999, and with the score of 10 achieved by all participating boards in Canada in both years. The 2001 Governance Index score reflects a continued emphasis on active board governance by CIC's Crown corporations and confirms that they remain on the leading edge of corporate governance practice in Canada.

PUBLIC ACCOUNTABILITY THROUGH CROWN SUBSIDIARY PERFORMANCE REPORTING AND DISCLOSURE POLICY

CIC is committed to continuing efforts to make the Crown corporation sector more open and accountable by providing a greater degree of public transparency in the results of operations of Crown corporations. CIC introduced a Performance Reporting and Disclosure Policy in January 2000. The policy outlines the minimum standards for communicating performance management information in Crown corporation annual reports. CIC recognizes that the public's desire for accountability must be balanced with the legitimate need for confidentiality when required to protect commercially sensitive competitive information, or where bound by confidentiality agreements.

For annual reports for 2002 and beyond, reporting requirements include descriptions of:

- the links between the broad corporate business strategies and the Crown Sector Strategic Plan;
- how the balanced scorecard system of performance management is implemented within the Crown corporation;
- the links between a Crown corporation's balanced scorecard and Crown business initiatives;
- key balanced scorecard objectives, measures and targets set for the reporting year;
- actual performance for the reporting period against the associated target;
- qualitative broad strategic objectives and overall direction and, where practical, supplemented with quantifiable measures¹; and,
- near-term strategies required to achieve long-term targets¹.

¹ Crowns such as CIC, SaskPower, SaskEnergy, SaskTel and SGI, which operate in a competitive environment or whose operations could be unduly impaired by disclosing commercially sensitive information, need to protect those aspects of their operations that are commercially sensitive. Such Crowns are expected, at a minimum, to disclose strategic planning and performance management information at a standard consistent with other publicly traded companies operating in the same industry.

CORPORATE GOVERNANCE

PUBLIC ACCOUNTABILITY THROUGH REPORTING OF SIGNIFICANT TRANSACTIONS

In 1997, CIC developed guidelines for reporting on significant transactions. These guidelines were approved by the CIC Board, as well as the Legislature's Standing Committee on Crown Corporations (Crown Corporations Committee).

The policy requires that all CIC Crowns, CIC and CIC III, report all significant transactions to the Crown Corporations Committee within 90 days of the transaction, generally the date upon which funds are advanced or received. Where a Crown owns subsidiaries, significant transactions will be reported whether undertaken by the Crown or its subsidiary. Reports, which may be verbal before the Crown Corporations Committee, must describe the objectives of the transaction, its financial implications and the authority for the transaction.

A significant transaction is broadly defined as one that is material (i.e., value greater than one per cent of the Crown's assets) and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Additionally, Crowns must report transactions that do not fall under the above conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Such transactions would include, for example, external investments and the creation of new subsidiaries.

The need for disclosure from a public information perspective, must be balanced against the Crowns' legitimate need for confidentiality where bona fide grounds exist regarding commercially sensitive and competitive information. In such circumstances, the Crown in question is exempted from reporting the details in question in its written report to the Crown Corporations Committee.

The following transactions were reported to the Crown Corporations Committee in 2002:

- CIC III - Saskatchewan Valley Potato Corporation asset sales
- CIC III and SOCO - Equity investment in Western Life Sciences Venture Fund Limited Partnership
- CIC III - Equity investment in Premium Brands Inc.
- CIC III - Equity investment in Prairie Ventures Fund Limited
- SaskPower - Equity investment in the Muskeg River Mine Cogeneration Project
- SaskEnergy - Equity investment in Gas Sur S.A.
- SaskEnergy - Equity investment in IGASAMEX USA Ltd.
- CIC - Sale of CIC's remaining shares of Cameco Corporation
- CIC III and CIC - Equity investment in and loan guarantee for Meadow Lake OSB Limited Partnership
- SGI - Equity investment by SGI CANADA Insurance Services Ltd. in the Charlie Cooke Insurance Agency Ltd., Atlantic Adjusting and Appraisals Ltd., and Maritime Finance and Acceptance Corporation
- CIC III - Sale of equity investment in Great Western Brewing Company Limited

CORPORATE GOVERNANCE

PUBLIC ACCOUNTABILITY FOR UTILITY RATES

Saskatchewan Rate Review Panel

In July 2000, the Government of Saskatchewan established the Saskatchewan Rate Review Panel (SRRP) for a two-year period by ministerial order of the Minister of Crown Investments Corporation.

SRRP is an advisory committee. It is mandated to conduct reviews and provide its opinions on the fairness and reasonableness of proposed Crown corporation rate changes referred to it by the Minister of Crown Investments Corporation. In its review, SRRP is to consider the interests of the customer, the Crown and the public.

During 2002, an independent third party program review was conducted on the operation of SRRP prior to the expiration of the Minister's order. The review found that the existing advisory model was an appropriate mechanism to consider Crown rate applications and recommended changes to SRRP's terms of reference to facilitate efficient and effective review processes.

Membership in SRRP for 2002 was as follows:

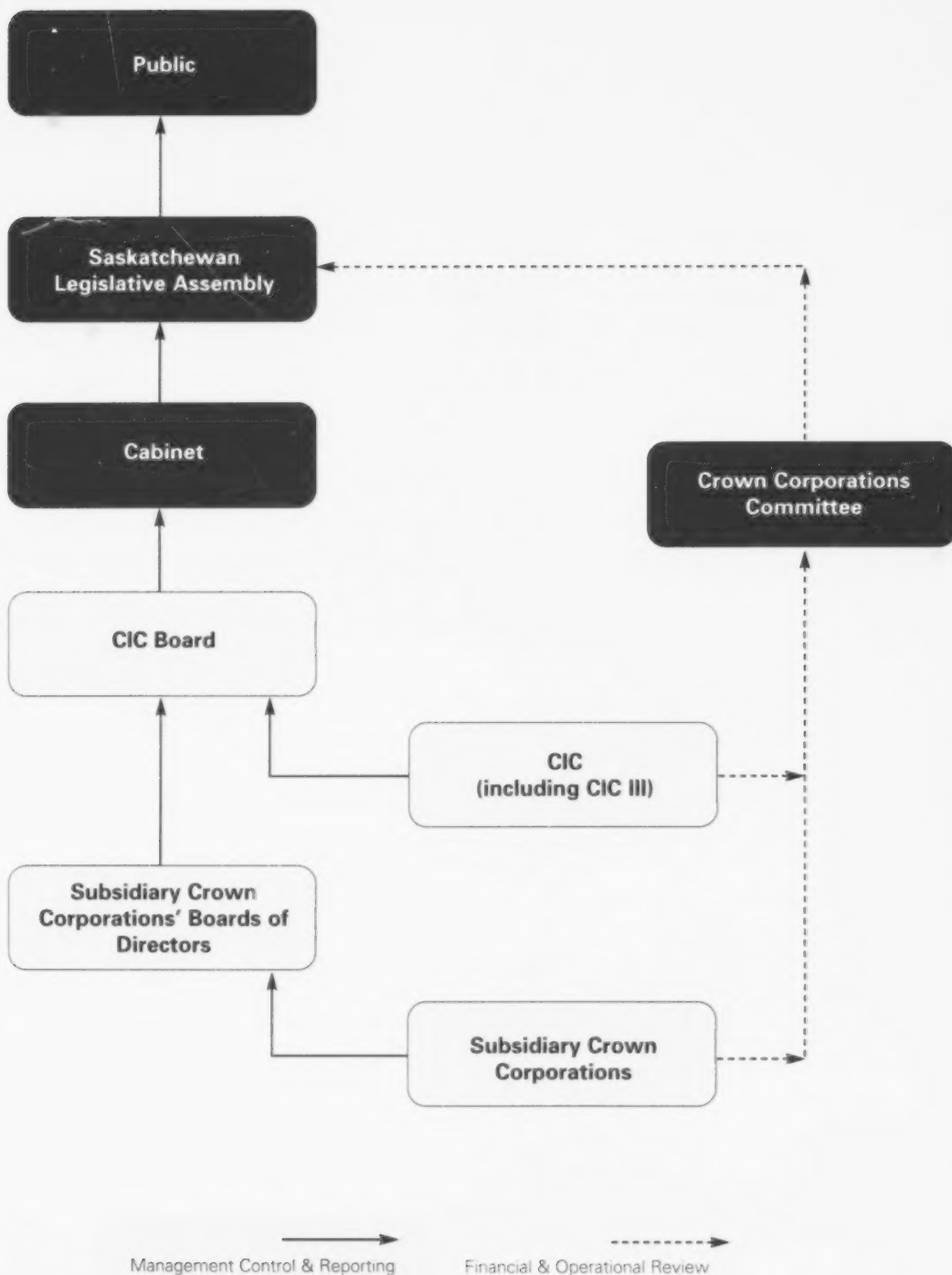
Boris Kishchuk, Chair (effective July 24, 2002)	Saskatoon
Jack Boan, Vice-Chair	Regina
Jo-Ann Carignan-Vallee	Assiniboia
Joan Meyer	Swift Current
Linda Thauberger (effective July 24, 2002)	Prince Albert
John Vinek (effective July 24, 2002)	Lloydminster
Bob Lacoursiere (Chair to July 24, 2002)	Saskatoon
Tracey Bakkeli (to July 24, 2002)	Regina
Sheldon Craig (to July 24, 2002)	La Ronge

SRRP did not receive any rate applications during 2002.

Website: www.skrrp.com

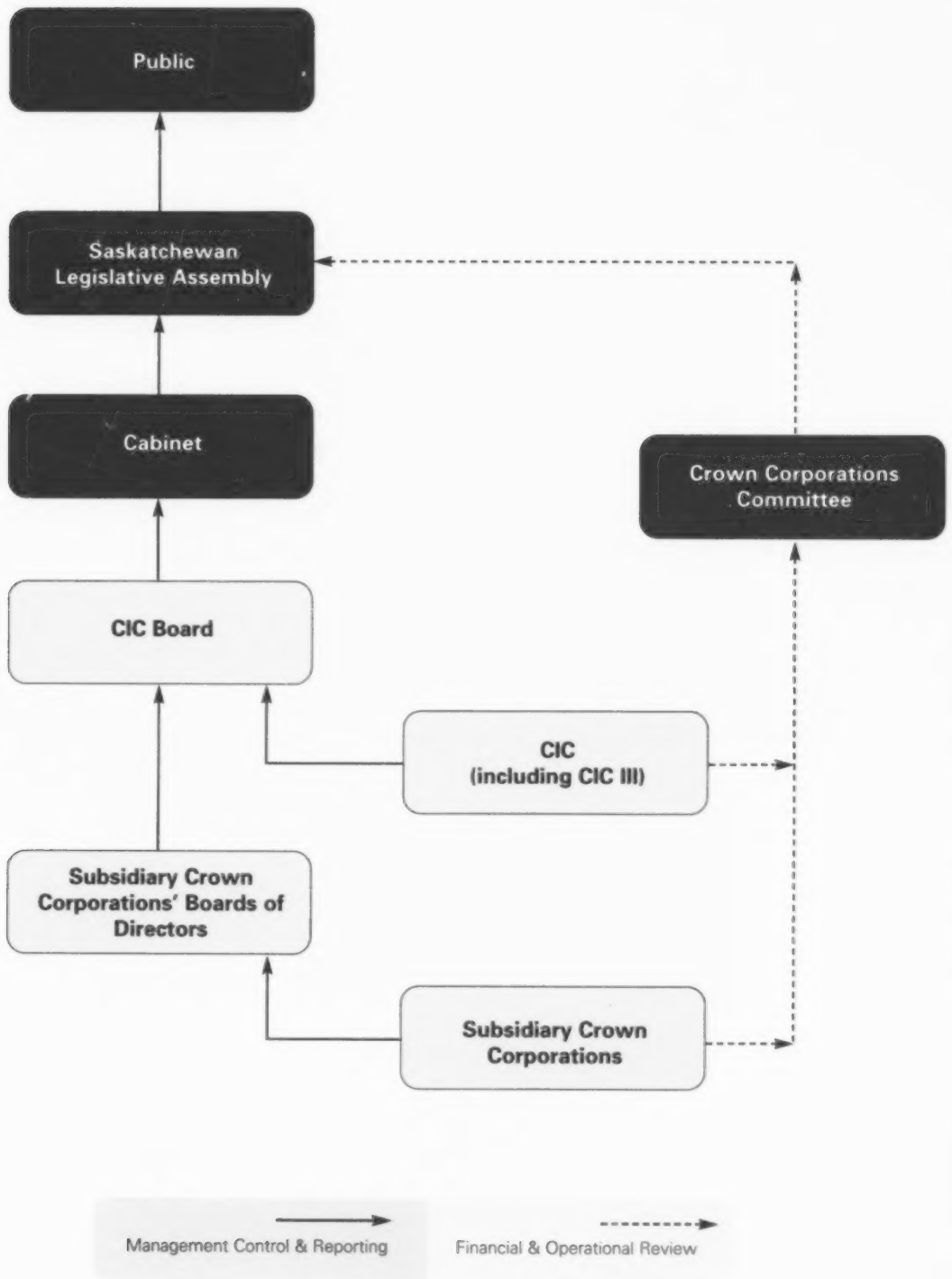
CORPORATE GOVERNANCE

FINANCIAL AND PUBLIC ACCOUNTABILITY STRUCTURE



CORPORATE GOVERNANCE

FINANCIAL AND PUBLIC ACCOUNTABILITY STRUCTURE



OTHER INITIATIVES

Crown Sector Strategic Human Resources Planning

Organizations across Saskatchewan and North America are facing some significant human resource challenges in the future, including:

- an aging workforce with a 'bulge' of forecasted retirements over the next ten years;
- an educated and highly mobile workforce;
- differences in work values and attitudes between workplace generations; and,
- the changing make-up of the labour force to include more diversity.

To facilitate forward planning of human resource capital in the Crown sector, CIC undertook a major review, with the Crown corporations, of the permanently employed staff in the Crowns. This review was undertaken to begin identifying strategies to ensure that the Crown sector will have the human resource capacity and capital to function and flourish in 2010 and beyond. 'Managing the Bubble', Final Report of the Crown Sector Human Resources Review was published in August 2002. The report provided a demographic profile of ten thousand permanent full-time employees. Key to the Crown sector's future human resource needs is the engagement in the workforce of Saskatchewan's young people, its First Nations and its Métis communities. As a result of the Crown Sector Human Resources Review, greater emphasis will be placed on achieving a representative workforce in the Crown sector.

Crown Executive Conference

In September 2002, CIC sponsored its annual Crown executive conference in Saskatoon. The theme was 'Building on our Strengths, Our People Resources'. The theme was a follow-up to the 'Managing the Bubble', Final Report of the Crown Sector Human Resources Review. The group heard from various speakers and panel members on current human resource trends in the Crown sector and the need for organizational change.

CIC Receives Honourable Mention from the Commonwealth Association for Public Administration (CAPAM)

CIC received an honourable mention award for its submission in the CAPAM 'Innovations in Governance' awards program. CAPAM judged submissions based on the criteria of innovation, effectiveness, relevance, significance, replication, and appropriateness to context. CAPAM noted that honourable mention is a significant accomplishment, given the quality of the 150 submissions from countries around the world.

"The submission, Governance and Performance Management of Public Enterprises by Crown Investments Corporation of Saskatchewan, Canada is recognized by CAPAM as being truly innovative and worthy of the recognition that accompanies achievements such as this in the Public Sector. The entry submitted also exemplifies the theme of the Awards Programme: 'Innovations in Governance'."

CORPORATE GOVERNANCE

Environmental Responsibility

CIC places strategic focus on commitment to and support for the Province's Green Agenda throughout the Crown sector. For example, CIC encourages Crowns to include measures and targets in their balanced scorecards to support the Province's Greenprint for energy conservation. CIC's Balanced Scorecard includes a target to purchase 5,000 kilowatt hours of GreenPower per month in support of alternative, environmentally conscious energy sources.

Environmental considerations are also part of the investment process at CIC. In considering all new investments and as part of its due diligence, CIC reviews environmental risk and sensitivities through the use of a checklist process. The checklist process ensures a thorough understanding of the impact of a project on the environment, that appropriate steps will be taken to protect the environment, and that the investment will comply with environmental review and approval processes. CIC monitors environmental stewardship and protection from all major and medium-sized investments to ensure they are in full compliance with environmental standards. CIC periodically conducts environmental assessments of its major investments to ensure these investments comply with or exceed current environmental standards and use operating procedures that include responsible environmental practices.

CIC employees value environmental responsibility and voluntarily undertake various environmental initiatives such as recycling cans, bottles and paper. CIC is creating a committee to examine the implementation of other cost-effective environmental initiatives.

Social Responsibility - CIC in the Community

CIC recognizes its corporate responsibility to the communities, organizations and individuals with which it is involved. Every year, CIC provides sponsorships and donations to support dozens of non-profit charitable and community organizations throughout Saskatchewan. CIC focuses on organizations that benefit children or disadvantaged people, or which address social, educational, cultural or recreational needs. CIC's employees also donate their time and money to support many charitable organizations.

CICCONSOLIDATEDFINANCIALSTATEMENTS

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENT REPORTING STRUCTURE

CIC's 2002 Annual Report contains three sets of financial statements.

CIC Consolidated Financial Statements

These show CIC's results consolidated with those of its subsidiaries.

CIC Non-Consolidated Financial Statements

These show the results of activities of CIC as the holding company.

CIC Industrial Interests Inc. (CIC III) Non-Consolidated Financial Statements

These show the results of activities that CIC manages through its subsidiary, CIC III.

CIC CONSOLIDATED FINANCIAL STATEMENTS

SUBSIDIARY CROWN CORPORATIONS' FINANCIAL STATEMENTS

Include:

- Saskatchewan Power Corporation
- Saskatchewan Telecommunications and Saskatchewan Telecommunications Holding Corporation
- SaskEnergy Incorporated
- Saskatchewan Government Insurance
- Saskatchewan Opportunities Corporation
- Saskatchewan Water Corporation
- Information Services Corporation of Saskatchewan
- Saskatchewan Transportation Company
- Saskatchewan Government Growth Fund Management Corporation
- Saskatchewan Development Fund Corporation

CIC NON-CONSOLIDATED FINANCIAL STATEMENTS

Include:

Revenue/expenses:

- Dividends from subsidiary Crown corporations
- Net interest and operating costs
- Grants paid to subsidiary Crown corporations
- Gain on sale of Cameco shares (February 2002)

Assets/liabilities:

- Equity advances to subsidiary Crown corporations
- Investments in CIC III and NewGrade Energy Inc.
- Debt

CIC III NON-CONSOLIDATED FINANCIAL STATEMENTS

Include:

- Big Sky Farms Inc.
- Canadian Western Bank debenture
- Centennial Foods Partnership
- FarmGro Organic Foods Inc.
- Foragen Technologies Limited Partnership
- Genex Swine Group Inc.
- HARO Financial Corporation
- Meadow Lake OSB Limited Partnership
- Meadow Lake Pulp Limited Partnership
- Minds Eye Entertainment Ltd.
- Prairie Ventures Fund Limited
- Premium Brands Inc.
- Primaxis Technology Ventures Incorporated
- Saskatchewan Valley Potato Corporation
- Saskferco Products Inc.
- SGI CANADA Insurance Services Ltd.
- Small business loan portfolio
- Western Life Sciences Venture Fund Limited Partnership

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN CONSOLIDATED FINANCIAL STATEMENTS

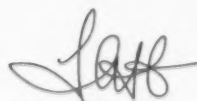
RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO



Sheldon Schwartz, CFA
Chief Financial Officer

March 12, 2003

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2002 and the consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 12, 2003

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENT REPORTING STRUCTURE

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- Saskatchewan Power Corporation
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- SaskEnergy Incorporated
- Saskatchewan Government Insurance
- Saskatchewan Opportunities Corporation
- Saskatchewan Water Corporation
- Information Services Corporation of Saskatchewan
- Saskatchewan Transportation Company
- Saskatchewan Government Growth Fund Management Corporation
- Saskatchewan Development Fund Corporation

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Include:

Revenue/expenses:

- Dividends from subsidiary Crown corporations
- Net interest and operating costs
- Grants paid to subsidiary Crown corporations
- Gain on sale of Cameco shares (February 2002)

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- Debt

CIC III NON-CONSOLIDATED FINANCIAL STATEMENTS

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- Big Sky Farms Inc.
- Canadian Western Bank debenture
- Centennial Foods Partnership
- FarmGro Organic Foods Inc.
- Foragen Technologies Limited Partnership
- Genex Swine Group Inc.
- HARO Financial Corporation
- Meadow Lake OSB Limited Partnership
- Meadow Lake Pulp Limited Partnership
- Minds Eye Entertainment Ltd.
- Prairie Ventures Fund Limited
- Premium Brands Inc.
- Primaxis Technology Ventures Incorporated
- Saskatchewan Valley Potato Corporation
- Saskferco Products Inc.
- SGI CANADA Insurance Services Ltd.
- Small business loan portfolio
- Western Life Sciences Venture Fund Limited Partnership

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN CONSOLIDATED FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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Frank Hart
President and CEO



Sheldon Schwartz, CFA
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March 12, 2003

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

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In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 12, 2003

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

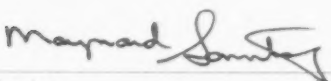
As at December 31
(thousands of dollars)

	2002	2001
ASSETS		
Current		
Cash	\$ 24,598	\$ 627
Short-term investments	498,633	657,289
Accounts receivable	525,442	526,473
Inventories	151,323	153,423
Prepaid expenses	111,012	126,257
	1,311,008	1,464,069
Long-term investments (Note 3)	951,916	1,102,408
Capital assets (Note 4)	5,420,690	5,296,224
Other assets (Note 5)	396,381	297,545
	\$ 8,079,995	\$ 8,160,246
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	\$ 16,209	\$ 27,223
Accounts payable and accrued liabilities	567,291	573,029
Notes payable (Note 6)	240,825	274,887
Dividend payable to General Revenue Fund	300,000	200,000
Deferred revenue	158,593	141,405
Long-term debt due within one year (Note 7)	202,962	42,013
	1,485,880	1,258,557
Long-term debt (Note 7)	3,071,073	3,304,950
Deferred revenue and other liabilities (Note 8)	621,028	574,404
	5,177,981	5,137,911
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,181,152	1,362,452
Contributed surplus	3,651	4,619
Reinvested earnings	1,717,211	1,655,264
	2,902,014	3,022,335
	\$ 8,079,995	\$ 8,160,246

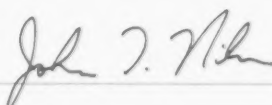
Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:



Director



Director

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
CONSOLIDATED STATEMENT OF OPERATIONS
AND REINVESTED EARNINGS

For the Year Ended December 31

(thousands of dollars)

	2002	2001
REVENUE		
Sales of products and services	\$ 3,396,206	\$ 3,324,329
Investment (Note 3(g))	52,390	53,277
Other	41,281	37,819
	3,489,877	3,415,425
EXPENSES		
Operating costs other than those listed below	2,488,533	2,386,676
Interest (Note 11)	270,234	316,622
Amortization of capital assets	405,337	400,790
Saskatchewan taxes and resource payments (Note 12)	106,170	103,520
	3,270,274	3,207,608
Earnings before the following	219,603	207,817
Future income tax expense (Note 13)	(6,474)	-
Non-recurring items (Note 14)	70,987	(75,664)
NET EARNINGS	284,116	132,153
REINVESTED EARNINGS, BEGINNING OF YEAR	1,655,264	1,723,111
FUTURE INCOME TAX ASSET (NOTE 13)	77,831	-
	2,017,211	1,855,264
DIVIDEND TO GENERAL REVENUE FUND	(300,000)	(200,000)
REINVESTED EARNINGS, END OF YEAR	\$ 1,717,211	\$ 1,655,264

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net earnings	\$ 284,116	\$ 132,153
Items not affecting cash from operations (Note 15)	298,272	313,139
	582,388	445,292
Net change in non-cash working capital balances related to operations	187,992	(371,471)
Cash provided by operating activities	770,380	73,821
INVESTING ACTIVITIES		
Purchase of investments	(467,697)	(460,054)
Proceeds from sales and collections of investments	671,070	510,894
Purchase of capital assets	(528,460)	(541,110)
Proceeds from sale of capital assets	8,411	421
Increase in other assets	(5,645)	(50,503)
Cash used in investing activities	(322,321)	(540,352)
FINANCING ACTIVITIES		
(Decrease) increase in notes payable	(34,062)	162,129
Increase in deferred revenue and other liabilities	42,185	51,924
Long-term debt proceeds from General Revenue Fund	4,500	470,000
Long-term debt proceeds from other lenders	13,295	172,072
Long-term debt repayments to General Revenue Fund	(19,888)	(327,742)
Long-term debt repayments to other lenders	(37,804)	(41,604)
Equity repaid to General Revenue Fund	(181,300)	-
Dividends paid to General Revenue Fund	(200,000)	-
Cash (used in) provided by financing activities	(413,074)	486,779
NET INCREASE IN CASH DURING YEAR	34,985	20,248
CASH POSITION, BEGINNING OF YEAR	(26,596)	(46,844)
CASH POSITION, END OF YEAR	\$ 8,389	\$ (26,596)
Cash position consists of:		
Cash	\$ 24,598	\$ 627
Bank indebtedness	(16,209)	(27,223)
	\$ 8,389	\$ (26,596)

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events. These consolidated financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the consolidated accounts of CIC Industrial Interests Inc. (CIC III), a wholly-owned share capital subsidiary of CIC, as well as the proportionate share of jointly controlled enterprises are consolidated in these financial statements.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for CIC III and for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund
Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications
Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

Centennial Foods Partnership	35%
NewGrade Energy Inc.	50%
Meadow Lake Pulp Limited Partnership	50%
Canadian Power Consultants	14%
Cory Cogeneration Joint Venture	50%
Cory Cogeneration Funding Corporation	50%
Foragen Technologies Limited Partnership	33%

c) Inventories

Inventories for resale are valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

d) Investments

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

e) Capital assets

Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Amortization of capital assets

Amortization is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset.

g) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Deferred financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

Customer accounts acquired are capitalized and amortized on a straight-line basis over their useful life from the date of acquisition.

Effective January 1, 2002, the Corporation adopted the new accounting recommendations for goodwill and intangible assets. The Corporation has assigned unamortized goodwill balances to reporting units and no longer records any goodwill amortization. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flows, earnings multiples and market comparable approach. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against earnings in the year impairment is recognized.

h) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

i) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

j) Contributions in aid of construction

Contributions in aid of construction relate to new service connections. These contributions are amortized over the estimated service life of the related asset.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Future asset removal and site restoration costs

Estimated future asset removal and site restoration costs, net of expected recoveries, are charged to income on a straight-line basis over the estimated remaining service life of the assets involved. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the related cost of environmental mitigation, and is included in deferred revenues and other liabilities.

l) Provision for unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

m) Revenue recognition

Revenue from utility and other services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable. Revenues from long distance, wireless airtime and directory services are recognized based on usage or rate plans over the period the services are provided. Revenues from insurance premiums written are taken into income over the terms of the related policies. Revenues from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

n) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

The financial statements of the Corporation's self-sustaining foreign operations are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at year end, and revenues and expenses at average exchange rates during the year.

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial instruments

Financial instruments are used by the Corporation to hedge its exposure to market risks relating to commodity price for natural gas, foreign currency exchange rates and interest rates. Gains and losses on forward contracts and cross currency swaps used to manage foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Gains or losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums or discounts with respect to financial investment contracts are deferred and amortized to earnings over the contract period.

p) Employee benefit plans

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Corporation has adopted the following policies:

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

The excess of the net actuarial gain (loss) over 10 per cent of the greater of the benefit obligation and the market related value of the plan assets is amortized over the average remaining service life of active employees of the plan.

2. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Crown Investments Corporation of Saskatchewan was established by Order-in-Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

3. LONG-TERM INVESTMENTS

<i>(thousands of dollars)</i>	Voting Percentages	2002	2001
Equity Investments			
Saskferco Products Inc. (a) 68,449,080 (2001 - 68,449,080) Class B common shares	49.0%	\$ 116,055	\$ 109,303
ML OSB Limited Partnership (b)	25.0%	23,856	250
Other share investments - equity basis		80,415	65,131
		220,326	174,684
Portfolio Investments			
Cameco Corporation (c) Nil (2001 - 5,423,123) common shares	-	-	114,898
Austar United Communications Limited (d) 9,550,574 (2001 - 9,550,574) common shares	1.3%	3,452	43,846
HARO Financial Corporation (e) 68,000,000 (2001 - 68,000,000) Class B non-voting common shares		68,000	68,000
Other share investments - cost basis		108,189	134,415
		179,641	361,159
Bonds, Debentures, Loans and other Advances			
HARO Financial Corporation (e)		139,029	171,141
Meadow Lake Pulp Loans (f)		48,181	44,181
Other bonds and debentures		193,872	174,703
Other loans and notes receivable		37,741	52,997
		418,823	443,022
Property Holdings		129,210	119,499
Leases Receivable		3,916	4,044
		\$ 951,916	\$ 1,102,408

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2002

3. LONG-TERM INVESTMENTS (CONTINUED)

- a) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49 per cent voting interest.
- b) The Corporation entered into a limited partnership, Meadow Lake OSB Limited Partnership (ML OSB) with Tolko Industries Ltd., Meadow Lake OSB Mill Corporation and Northwest Communities Wood Products Ltd. for the purpose of constructing and operating an oriented strand board facility in Saskatchewan. The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest. To December 31, 2002, the Corporation has invested \$23.8 million.
- c) On February 19, 2002, the Corporation sold its remaining 5,423,123 voting shares of Cameco Corporation (Cameco) for \$226.4 million resulting in a gain on sale of \$111.4 million. The Corporation continues to hold one Class B share of Cameco which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.
- d) At December 31, 2002 the Corporation owns 9,550,574 shares (2001 - 9,550,574) of Austar United Communications Limited (Austar). During the year the book value of Austar was written down by \$40.4 million reflecting losses that are considered to be other than temporary.
- e) In 1992, the Corporation entered into a Term Loan agreement with HARO Financial Corporation (HARO). The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.50 per cent (2001 - 6.64 per cent) compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2002, consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2002, is \$181.4 million (2001 - \$167.2 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

3. LONG-TERM INVESTMENTS (CONTINUED)

- f) The Corporation owns a 50 per cent joint venture interest in Meadow Lake Pulp Limited Partnership (MLPLP) located near Meadow Lake, Saskatchewan.

The Corporation has provided the following loans:

- Participating Debenture (\$19.5 million) bears interest at 11.15 per cent (2001 - 11.15 per cent) calculated on October 31 each year.
- Term Loan (\$10.0 million) bears interest at prime plus 2 per cent, which is 6.5 per cent at December 31, 2002 (2001 - 6.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Contingency Loan (\$5.5 million) bears interest at prime plus 1 per cent, which is 5.5 per cent at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance (\$4.0 million) bears interest at prime plus 1 per cent, which is 5.5 per cent at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan (\$5.2 million) bears interest at prime plus 1 per cent, which is 5.5 per cent at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan (\$4.0 million) which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2002. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Guarantee Advance, Cash Flow Loan, Guarantee Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external loan.

If, by October 31, 2014, less than \$159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between \$159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.74 per cent at December 31, 2002 (2001 - 1.98 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

On June 14, 2001 MLPLP refinanced its long-term debt. As part of the refinancing agreement, the Corporation guaranteed MLPLP's long-term debt payments to a maximum of \$72.0 million (2001 - \$80.0 million).

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

3. LONG-TERM INVESTMENTS (CONTINUED)

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operating of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2002. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

Due to uncertainty of cash flows from the joint venture, the Corporation's Participating Debenture is shown net of provision for loan losses of \$60.0 million (2001 - \$60.0 million).

g) Included in investment revenue are earnings (losses) from equity investments as follows:

<i>(thousands of dollars)</i>	2002	2001
Saskferco	\$ 6,751	\$ 3,225
Other	(9,465)	(11,368)
	\$ (2,714)	\$ (8,143)

4. CAPITAL ASSETS

<i>(thousands of dollars)</i>	Cost	2002 Accumulated Amortization	Net Book Value	2001 Net Book Value
Machinery & equipment	\$ 8,316,133	\$ 4,011,713	\$ 4,304,420	\$ 4,163,918
Buildings & improvements	1,128,186	483,356	644,830	628,511
Plant under construction	349,441	-	349,441	385,288
Land, coal properties & rights	190,408	68,409	121,999	113,769
Deferred development costs	-	-	-	4,738
	\$ 9,984,168	\$ 4,563,478	\$ 5,420,690	\$ 5,296,224

5. OTHER ASSETS

<i>(thousands of dollars)</i>	2002	2001
Natural gas in storage	\$ 133,958	\$ 128,390
Future income tax asset (Note 13)	75,271	-
Deferred pension costs	65,393	52,061
Goodwill	33,591	23,292
Customer accounts acquired	31,348	21,472
Cross currency swaps	21,489	22,944
Other deferred charges	35,331	49,386
	\$ 396,381	\$ 297,545

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

6. NOTES PAYABLE

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an average interest rate of 2.74 per cent (2001 - 1.99 per cent).

7. LONG-TERM DEBT

<i>(thousands of dollars)</i>		2002		2001	
		Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
Years to Maturity					
A. General Revenue Fund	U.S.	Canadian			
Canadian Dollar Issues					
1 - 5 years		\$ 873,153	10.28	\$ 744,654	10.47
6 - 10 years		459,467	8.71	582,784	9.01
11 - 15 years		6,537	8.13	7,888	8.10
16 - 20 years		313,971	7.75	58,971	6.36
21 - 25 years		175,000	8.75	430,000	9.26
26 - 30 years		420,000	5.97	420,000	5.97
		2,248,128		2,244,297	
United States Dollar Issues					
1 - 5 years	\$ 50,000	78,980	6.63	79,630	6.63
6 - 10 years	194,000	306,442	7.13	308,965	7.13
11 - 15 years	75,000	118,470	7.38	119,445	7.38
16 - 20 years	400,000	631,640	9.09	318,520	9.38
21 - 25 years	-	-	-	318,520	8.50
	\$ 719,000	1,135,532		1,145,080	
		3,383,660		3,389,377	
Less:					
Sinking fund balance		(342,114)		(299,848)	
Total due to GRF		3,041,546		3,089,529	
B. Other long-term debt					
Canadian Dollar Issues					
(due 2003 to 2013)		173,192	Various	182,973	Various
United States Dollar Issues					
(due 2003 to 2007)	\$ 37,865	59,297	10.05	74,461	10.00
Total other long-term debt		232,489		257,434	
		3,274,035		3,346,963	
Less:					
Due within one year		(202,962)		(42,013)	
TOTAL LONG-TERM DEBT	\$	3,071,073		\$ 3,304,950	

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

7. LONG-TERM DEBT (CONTINUED)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Principal repayments (including sinking funds) due in each of the next five years are as follows (thousands of dollars):

2003	\$ 201,273
2004	157,970
2005	222,869
2006	245,870
2007	169,430

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.574 (2001 - 1.590).

8. DEFERRED REVENUE AND OTHER LIABILITIES

<i>(thousands of dollars)</i>	2002	2001
Site restoration	\$ 251,136	\$ 239,682
Provision for unpaid insurance claims	206,155	172,924
Contributions in aid of construction	104,087	97,190
Other liabilities	56,337	59,611
Deferred income	3,313	4,997
	\$ 621,028	\$ 574,404

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

9. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF. During the year the Corporation repaid \$181.3 million in equity advances to the GRF.

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2002

10. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2002:

- a) The Corporation has forward purchase commitments of \$1,964.0 million (2001 - \$1,777.0 million) for coal contracted for future minimum deliveries valued at current prices. Included in the forward coal commitments are two promissory notes due in 2003 and 2004 arising from the sale of two draglines and payments on certain leased mining equipment which was assumed by the purchaser of a mining operation which end 2014.
- b) The Corporation has committed to provide \$19.5 million (2001 - \$52.9 million) in loans and equity for investment in Saskatchewan business.
- c) The Corporation has entered into power purchase agreements expected to cost \$4.7 billion until 2028 and provide approximately 449 megawatts of electrical power annually.
- d) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of \$275.0 million. The fair value of the Corporation's guarantee is \$51.8 million (2001 - \$64.9 million).
- e) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the GRF. At December 31, 2002, the GRF's exposure under the guarantee does not exceed \$360.0 million. The Corporation does not expect any exposure under this guarantee.
- f) On June 14, 2001 Meadow Lake Pulp Limited Partnership (MLPLP) refinanced its long-term debt. As part of the refinancing agreement, the Corporation guaranteed MLPLP's long-term debt payments to a maximum of \$80.0 million. During the year the Corporation has paid \$8.0 million on this guarantee, leaving a remaining guarantee of \$72.0 million at December 31, 2002.
- g) The Corporation has guaranteed Meadow Lake OSB Limited Partnership's (ML OSB) long-term debt facilities to a maximum of \$27.5 million. At December 31, 2002, ML OSB had not drawn on their long-term debt facilities.
- h) The Corporation has issued letters of credit in the amount of \$16.0 million.
- i) The Corporation has entered into forward sales agreements to deliver 12.9 petajoules of natural gas during 2003 and 2004 for a total of \$44.3 million. The Corporation has entered into natural gas price swaps with counterparties, to fix the selling price for 11.8 petajoules of the 12.9 petajoules committed for sale during 2003 and 2004.
- j) The Corporation has guaranteed \$17.0 million (2001 - \$8.0 million) of energy savings to various customers through the Corporation's energy performance contracts. These guarantees are offset by third party guarantees to the Corporation that ensure the energy savings are realized.
- k) The Corporation has granted a \$5.0 million U.S. dollar guarantee related to certain obligations established under the Gas Sur S.A. shareholders' agreement.
- l) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

11. INTEREST EXPENSE

<i>(thousands of dollars)</i>	2002	2001
Interest on long-term debt	\$ 286,513	\$ 286,314
Foreign exchange (gains) losses	(4,540)	57,235
Amortization of deferred financing costs	1,345	4,339
	283,318	347,888
Less:		
Sinking fund earnings	(23,143)	(25,909)
Interest capitalized	(5,358)	(14,981)
Gain on redemption of sinking funds	-	(2,831)
	(28,501)	(43,721)
Long-term debt interest expense	254,817	304,167
Short-term debt interest expense	15,417	12,455
	\$ 270,234	\$ 316,622

Interest paid during the year, on a cash basis, was \$303.3 million (2001 - \$296.6 million).

12. SASKATCHEWAN TAXES AND RESOURCE PAYMENTS

<i>(thousands of dollars)</i>	2002	2001
Grants in lieu of taxes to municipalities	\$ 42,137	\$ 42,475
Saskatchewan capital tax	37,854	33,804
Other	14,577	13,609
Insurance premium tax	9,676	8,932
Oil, gas and coal royalties	1,926	4,700
	\$ 106,170	\$ 103,520

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

13. INCOME TAXES

During the current year the Corporation adopted the asset and liability method of accounting for income taxes. As a result a future tax asset of \$77.8 million was recognized on January 1, 2002 offset by an increase to reinvested earnings.

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows (thousands of dollars):

Net loss before income taxes from taxable subsidiaries and joint ventures	\$	(11,025)
Combined federal and provincial tax rate		37.0%
Computed tax expense based on the combined rate	\$	(4,079)
Increase (decrease) resulting from:		
Investment earnings not subject to taxation		(1,119)
Adjustment to future tax assets for enacted changes in tax laws and rates		1,301
Difference in tax rates between subsidiaries and parent		568
Valuation allowance		11,268
Effect of temporary difference related to capital assets		(3,749)
Other		2,284
Total income tax expense	\$	6,474

The tax effects of temporary differences that give rise to significant portions of the future tax asset at December 31, 2002 are presented below (thousands of dollars):

Future tax asset:		
Non-capital loss carryforwards	\$	33,931
Capital assets - differences in net book value and undepreciated capital cost		73,236
Other		1,273
		108,440
Less valuation allowance		(33,169)
Net future tax asset	\$	75,271

14. NON-RECURRING ITEMS

Non-recurring items include the following:

<i>(thousands of dollars)</i>	2002	2001
Gain (loss) on:		
Sale of Cameco Corporation shares (a)	\$ 111,403	\$ -
Provision for Austar United Communications Limited (b)	(40,394)	-
Gas cost variance account (c)	-	(61,340)
Provision for potato asset impairment (d)	-	(14,300)
Public policy expenditure	(22)	(24)
	\$ 70,987	\$ (75,664)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

14. NON-RECURRING ITEMS (CONTINUED)

- a) On February 19, 2002, the Corporation sold its remaining shares of Cameco for proceeds of \$226.4 million resulting in a gain on sale of \$111.4 million.
- b) During the year the book value of Austar was written down by \$40.4 million to reflect a loss in value of Austar that is considered to be other than temporary.
- c) The Corporation sells natural gas based on the principle that it neither profits or incurs a loss on sale. In accordance with this principle the Corporation established a Gas Cost Variance Account (GCVA) to accumulate differences between commodity sales revenue and natural gas commodity costs. Effective May 31, 2001, the Government of Saskatchewan directed the Corporation to absorb the accumulated balance in the GCVA. The Corporation, at this time, discontinued the use of the GCVA and charged the balance of the account through net earnings.
- d) Due to recurring operating losses and reduced economic prospects for the potato industry, the Corporation assessed the recoverability of the storage sheds and certain equipment. The Corporation has written down the net book value of these assets based on the projected future net cash flows from the use of these assets and the estimated sales prices that could be realized on any sale. Accordingly, in 2001 the Corporation recorded a provision for asset impairment of \$14.3 million of which \$13.5 million related to storage sheds and \$0.8 million related to certain equipment.

15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

<i>(thousands of dollars)</i>	2002	2001
Amortization of capital assets	\$ 405,337	\$ 400,790
Sinking fund earnings	(23,143)	(25,909)
Non-recurring items	(70,987)	75,664
Other non-cash items	(12,935)	(137,406)
	\$ 298,272	\$ 313,139

16. FINANCIAL RISK MANAGEMENT

By virtue of its business operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates risk associated with these financial instruments through Board approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

- a) **Commodity price risk management**
The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants, for certain power purchase agreements and gas purchased for resale to its customers. As at December 31, 2002, the Corporation had entered into a series of natural gas contracts to manage the price of natural gas.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below:

<i>(millions of dollars)</i>	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Natural gas price hedges owed to (by) the Corporation:				
- swaps	\$ -	\$ (12.5)	\$ 0.4	\$ (35.7)
- options	-	-	36.5	(44.7)
- futures	-	6.0	-	(15.0)

The fair values of the above instruments were based on the following:

- i) Natural gas price swaps - The relevant index price in effect on December 31, 2002.
- ii) Natural gas price options - The relevant index price in effect on December 31, 2002.
- iii) Natural gas futures contracts - The relevant index price in effect on December 31, 2002.

b) Foreign currency and interest risk management

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in both the principal and coupon payments associated with the United States denominated debt. The Corporation utilizes cross-currency swaps and coupon swaps to offer protection from fluctuations on a portion of this debt that is due in 2003 and 2008.

The following summarizes instruments held at each year end:

<i>(millions of dollars)</i>	2002			2001	
	Carrying Amount	Fair Value	Repricing/ Maturity Date	Carrying Amount	Fair Value
Owed to (by) the Corporation:					
Coupon swaps	\$ -	\$ -	2003	\$ -	\$ 3.4
Cross currency swaps	21.0	29.0	2003-2008	23.0	27.8
Interest rate hedges	-	(0.1)		-	(0.2)
Foreign exchange contracts	-	-	2003	(0.2)	(2.0)

- i) Coupon swaps, cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2002 market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows:

<i>(millions of dollars)</i>	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term investments (d)	\$ 325.1	\$ 317.5	\$ 500.2	\$ 558.3
Sinking fund equity	342.1	348.3	299.8	303.7
Long-term debt	3,274.0	3,932.5	3,347.0	3,800.6

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2002, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2002, quoted market value.

iii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

- d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings (\$220.3 million), non-publicly traded common shares (\$18.2 million), property holdings (\$129.2 million), leases receivable (\$3.9 million), or certain loans (\$48.1 million) due to the costs associated with this type of valuation.

Excluded from the amounts above are \$207.0 million of assets held with HARO, and secured by HARO's 65.2 per cent interest in Crown Life. It is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

f) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation had no financial contracts in place to offset interest rate risk as of December 31, 2002.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

- i) cash;
- ii) short-term investments;
- iii) accounts receivable;
- iv) bank indebtedness;
- v) accounts payable and accrued liabilities;
- vi) notes payable; and,
- vii) dividend payable to General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

17. LEASES

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2003	\$ 41,591
2004	36,480
2005	28,965
2006	23,992
2007	22,455
Thereafter	4,652
	\$ 158,135

18. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

<i>(millions of dollars)</i>	2002	2001
Accounts receivable	\$ 13.9	\$ 13.0
Accounts payable and accrued liabilities	13.3	15.2
Sales of products and services	116.8	103.6
Operating costs	163.5	152.0
Costs capitalized	4.9	5.2

During 2002, the Corporation received \$17.7 million (2001 - \$12.9 million) in grants from the GRF.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

19. JOINT VENTURES

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, Centennial Foods Partnership, Foragen Technologies Limited Partnership, Canadian Power Consultants, Cory Cogeneration Joint Venture, Cory Cogeneration Fund Corporation and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows:

<i>(thousands of dollars)</i>	2002	2001
Current assets	\$ 135,098	\$ 105,631
Long-term assets	363,560	178,508
Current liabilities	90,554	79,462
Long-term liabilities	199,679	122,174
Equity	208,425	82,503
Revenue	522,652	556,072
Expenses	523,905	526,996
Net (loss) income	(1,253)	29,076
Cash provided by operating activities	56,902	79,348
Cash provided by (used in) financing activities	17,754	(4,924)
Cash used in investing activities	(61,367)	(44,483)

20. EMPLOYEE FUTURE BENEFITS

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using managements' best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. Results from the latest valuations projected to December 31, 2002, and the major assumptions used in the valuation, are as follows:

Economic assumptions:

	2002		
	SaskTel	S&I	SaskPower
Discount rate - end of period	6.20%	6.20%	6.75%
Expected return on plan assets	7.25%	6.75%	7.60%
Inflation rate	2.20%	3.00%	3.00%
Expected salary increase	2.20%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	Dec. 31/01	Dec. 31/99	Sept. 30/02

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

20. EMPLOYEE FUTURE BENEFITS (CONTINUED)

Information about the Corporation's defined benefit plans is as follows:

<i>(thousands of dollars)</i>	2002		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	\$ 750,835	\$ 48,071	\$ 637,860
Current service cost	10,256	294	6,994
Interest cost	50,264	3,150	42,202
Benefits paid	(43,552)	(3,292)	(38,646)
Impact of change in discount rate	49,399	-	-
Plan amendments	-	-	816
Actuarial loss on accrued benefit obligation	-	1,721	22,303
Accrued benefit obligation, end of year	\$ 817,202	\$ 49,944	\$ 671,529
Plan assets			
Fair value of plan assets, beginning of year	\$ 757,497	\$ 53,095	\$ 667,469
Actual return on plan assets	(22,382)	(618)	(6,371)
Funding contributions	4,041	108	2,451
Benefits paid	(43,552)	(3,292)	(38,646)
Fair value of plan assets, end of year	\$ 695,604	\$ 49,293	\$ 624,903
Funded status - plan deficit	\$ (121,598)	\$ (651)	\$ (46,626)
Unamortized transitional asset	(74,108)	(5,340)	(23,916)
Unamortized past service cost	25,989	-	719
Unamortized net actuarial losses	213,552	3,541	91,185
Accrued pension asset (liability)	\$ 43,835	\$ (2,450)	\$ 21,362

The defined benefit plan pension income is as follows:

<i>(thousands of dollars)</i>	2002		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	\$ 7,072	\$ 186	\$ 4,543
Interest cost	50,264	3,150	42,202
Expected return on pension plan assets	(53,770)	(3,476)	(49,352)
Amortization of net transitional asset	(11,641)	(743)	(4,861)
Amortization of past service costs	4,105	-	97
Amortization of actuarial (gains) losses	39	(70)	-
Defined benefit plan pension income	\$ (3,931)	\$ (953)	\$ (7,371)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

20. EMPLOYEE FUTURE BENEFITS (CONTINUED)

Other Benefit Plans

Other benefit plans include a defined severance plan for all employees and the supplementary superannuation plan provided to management employees.

	2002	2001
Present value of accrued benefits	\$ 38,906	\$ 37,873
Accrued benefit liability	21,419	20,527
Benefits paid	5,481	4,793
Net expense	6,750	6,948

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2002	2001
Discount rate	6.75%	6.75%
Long-term rate of compensation increases	4.00%	4.00%
Remaining service life (years)	12.59	12.59

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is primarily limited to matching employee contributions to the plan. During the year the Corporation paid \$22.4 million (2001 - \$24.2 million) into these plans.

21. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform with current year's presentation.

CICNONCONSOLIDATEDFINANCIALSTATEMENTS

CIC Non-Consolidated
Financial Statements

**CIC CONSOLIDATED
FINANCIAL STATEMENTS**

**CIC NON-CONSOLIDATED
FINANCIAL STATEMENTS**

Include:

Revenue/expenses:

- Dividends from subsidiary Crown corporations
- Net interest and operating costs
- Grants paid to subsidiary Crown corporations
- Gain on sale of Cameco shares (February 2002)

Assets/liabilities:

- Equity advances to subsidiary Crown corporations
- Investments in CIC III and NewGrade Energy Inc.
- Debt

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
(NON-CONSOLIDATED)**

CIC is the provincial government's holding company for its commercial Crowns and CIC III. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability. CIC also holds the Province's investment in NewGrade.

This narrative on CIC's non-consolidated 2002 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

RESULTS OF OPERATIONS

Earnings for 2002 were \$262.8 million (2001 - \$110.2 million). The \$152.6 million increase is primarily due to the sale of CIC's remaining shares in Cameco Corporation (Cameco) for a gain of \$125.7 million, and higher dividend revenue. These increases were partially offset by lower interest earned on investments and higher operating expenses.

Revenues for the year were \$174.2 million (2001 - \$141.1 million). The \$33.1 million increase was primarily the result of higher dividends from subsidiaries and CIC III, and repayment of \$7.2 million in previously allowed for loans from NewGrade. These increases were partly offset by lower interest earned on investments.

Dividend revenue was \$157.1 million (2001 - \$119.2 million). The \$37.9 million increase was due to higher dividends from SaskPower (\$66.3 million), SaskEnergy (\$4.5 million) and CIC III (\$11.6 million), partially offset by lower dividends from SaskTel (\$32.7 million) and SGI (\$9.2 million). Due to the sale of its remaining Cameco shares in February 2002, CIC no longer receives dividends from Cameco.

Dividends from subsidiary Crown corporations increased \$28.9 million from 2001. SaskPower's dividend to CIC increased \$66.3 million primarily as a result of increased hydroelectric generation, which reduced the reliance on higher cost supply sources. SaskEnergy's dividend to CIC was \$4.5 million. In 2001, SaskEnergy incurred a loss and paid no dividend due to the Government's decision that SaskEnergy absorb \$75.9 million of gas costs to benefit customers. Partially offsetting these increases were decreases in dividends from SaskTel and SGI. SaskTel had a strong year operationally, but recorded a write-down on investments, which was the primary factor in the \$32.7 million reduction in dividends year over year. SGI incurred a loss and paid no dividend, primarily due to a loss at a subsidiary and lower investment earnings.

In 2002, CIC received \$15.7 million from NewGrade for repayment of the remainder of promissory notes outstanding. Of the amount repaid, \$7.2 million represented recovery of previously allowed for loans, and was recorded as income in 2002.

Expenses were \$18.0 million (2001 - \$17.8 million). The increase was due to higher operating expenses largely offset by reduced net interest expense. Operating expenses were \$12.2 million (2001 - \$10.8 million). Interest expense decreased to \$5.6 million (2001 - \$6.9 million), reflecting the repayment of long-term debt in 2001.

During 2002, CIC provided \$14.3 million in grants to ISC for operations (2001 - \$5.3 million grant for an early retirement program and \$4.0 million for operations), and \$1.2 million in equity advances. CIC provided \$4.8 million in grants to STC (2001 - \$3.8 million): \$2.4 million for operations (2001 - \$2.0 million) and \$2.4 million for capital (2001 - \$1.8 million).

Debt at year-end remained at a self-supporting level of \$25.9 million (2001 - \$22.6 million). The increase of \$3.3 million relates to the transfer of debt from SOCO as a result of the transfer of the SOCO investment portfolio to CIC.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (NON-CONSOLIDATED)

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Highlights

<i>(millions of dollars)</i>	2002	2001
Cash from Operations	\$ 121.6	\$ 126.8
Cash Provided by Investing Activities	214.5	71.5
Debt Borrowed (Repaid) to GRF (net of sinking fund instalments and redemptions)	13.8	(12.3)
Equity Repaid	(181.3)	-
Dividends Paid	(200.0)	-
(Decrease) Increase in Cash	\$ (31.4)	\$ 186.0

LIQUIDITY

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

OPERATING, INVESTING AND FINANCING ACTIVITIES

Cash from operations was \$121.6 million (2001 - \$126.8 million). The \$5.2 million decrease was primarily due to changes in non-cash operating capital balances.

Cash provided by investing activities was \$214.5 million (2001 - \$71.5 million). The primary reason for the \$143.0 million change was that, in 2002, CIC sold its remaining interest in Cameco for proceeds of \$226.3 million. During the year, CIC had net outflows to CIC III of \$25.9 million (2001 - \$61.3 million inflow) to support CIC III's investment strategy. In 2001, outflows also included a \$5.1 million equity advance to Crown corporations.

Cash used in financing activities was \$367.5 million (2001 - \$12.3 million). The \$355.2 million increase was primarily due to CIC repaying \$181.3 million in equity advances to the GRF and paying a \$200.0 million GRF dividend. Cabinet deferred CIC's GRF dividend for 2000, payable in 2001. Therefore, no GRF dividend payment was made in 2001.

DEBT MANAGEMENT

CIC has borrowed to fund certain investments held by CIC and CIC III. In 2002, CIC's debt increased, but remained at a self-supporting level of \$25.9 million (2001 - \$22.6 million). The increase relates to the transfer of debt from SOCO as a result of the investment portfolio transfer to CIC. Debt is characterized as self-supporting when there is a high degree of certainty that the amount and timing of the underlying investment cash flows can service and retire the associated debt at maturity. CIC's self-supporting debt level will change according to the composition of its investment portfolio as new investments are made and existing investments sold.

In 2003, CIC expects to fund its cash requirements (e.g., 2002 dividend to the GRF, investments, operating and interest expenditures) with internally generated cash.

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
(NON-CONSOLIDATED)**

OUTLOOK AND KEY FACTORS AFFECTING PERFORMANCE

The key factors affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and interest expense. Also affecting CIC's earnings are items attributable to its investments.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2003 to be higher than in 2002.

Interest expense is determined by CIC's level of debt and by the investment earnings of its sinking funds, which are offset against interest expense. CIC expects interest expense to be lower in 2003 primarily due to debt repayments in early 2003.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN NON-CONSOLIDATED FINANCIAL STATEMENTS

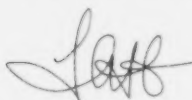
RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO

March 12, 2003



Sheldon Schwartz, CFA
Chief Financial Officer

AUDITORS' REPORT

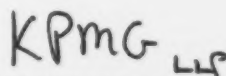
To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2002 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.



KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 12, 2003

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31

(thousands of dollars)

	2002	2001
ASSETS		
Cash and short-term investments	\$ 339,376	\$ 370,782
Interest and accounts receivable	574	1,457
Dividends receivable	29,079	28,300
Equity advances to Crown corporations (Note 3)	1,050,382	1,049,225
Investments in share capital corporations (Note 4)	366,488	449,646
Capital assets (Note 5)	777	463
	\$ 1,786,676	\$ 1,899,873

LIABILITIES AND PROVINCE'S EQUITY

Interest and accounts payable	\$ 14,066	\$ 12,115
Note payable to General Revenue Fund (Note 6)	10,048	-
Dividend payable to General Revenue Fund	300,000	200,000
Long-term debt (Note 7)	15,859	22,573
	339,973	234,688

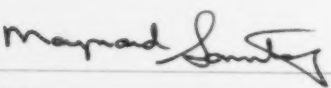
Province of Saskatchewan's Equity

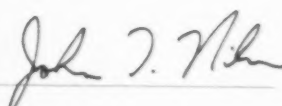
Equity advances (Note 8)	1,181,152	1,362,452
Reinvested earnings	265,551	302,733
	1,446,703	1,665,185
	\$ 1,786,676	\$ 1,899,873

Commitments and Contingencies (Note 9)

(See accompanying notes)

On behalf of the Board:


Director


Director

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NON-CONSOLIDATED STATEMENT OF OPERATIONS
AND REINVESTED EARNINGS
For the Year Ended December 31
(thousands of dollars)

	2002	2001
REVENUE		
Dividend (Note 10)	\$ 157,053	\$ 119,247
Interest	8,879	19,358
Other	8,240	2,506
	174,172	141,111
EXPENSES		
General, administrative and other	12,190	10,784
Interest	5,622	6,896
Amortization of capital assets	156	162
	17,968	17,842
Earnings before the following	156,204	123,269
Gain on sale of Cameco Corporation shares (Note 4 (c))	125,714	-
Grant to Information Services Corporation	(14,300)	(9,287)
Grant to Saskatchewan Transportation Company	(4,800)	(3,800)
NET EARNINGS	262,818	110,182
REINVESTED EARNINGS, BEGINNING OF YEAR	302,733	392,551
	565,551	502,733
DIVIDEND TO GENERAL REVENUE FUND	(300,000)	(200,000)
REINVESTED EARNINGS, END OF YEAR	\$ 265,551	\$ 302,733

(See accompanying notes)

**CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NON-CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31

(thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net earnings	\$ 262,818	\$ 110,182
Add (deduct) non-cash items:		
Amortization	156	162
Gain on sale of Cameco Corporation shares	(125,714)	-
Sinking fund earnings	(10,514)	(12,978)
Recovery of investment losses	(7,229)	(2,339)
Other non-cash items	-	149
	119,517	95,176
Net change in non-cash working capital balances related to operations (Note 11)	2,055	31,645
Cash provided by operating activities	121,572	126,821
INVESTING ACTIVITIES		
Purchase of investments	(25,918)	-
Proceeds from sales and collections of investments	242,019	76,781
Purchase of capital assets	(470)	(137)
Equity advances to Crown corporations	(1,157)	(5,098)
Cash provided by investing activities	214,474	71,546
FINANCING ACTIVITIES		
Increase in notes payable to General Revenue Fund	10,048	-
Long-term debt repayments	-	(101,168)
Sinking fund instalments	-	(5,000)
Sinking fund redemptions	3,800	93,825
Equity advances repaid to General Revenue Fund	(181,300)	-
Dividends paid to General Revenue Fund	(200,000)	-
Cash used in financing activities	(367,452)	(12,343)
NET (DECREASE) INCREASE IN CASH DURING YEAR	(31,406)	186,024
CASH POSITION, BEGINNING OF YEAR	370,782	184,758
CASH POSITION, END OF YEAR	\$ 339,376	\$ 370,782

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries and investment, over which it is able to exercise significant influence, are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Where there has been a decline in any other investment it is written down to its fair value. Dividends from these share investments are recognized as income when declared.

d) Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Capital assets are amortized using the following methods:

Computer equipment	- 30% declining balance
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Fair value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

- i) cash and short-term investments;
- ii) interest and accounts receivable;
- iii) dividends receivable;
- iv) interest and accounts payable;
- v) note payable to General Revenue Fund; and,
- vi) dividend payable to General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

f) Cash position

Cash position includes cash held within CIC's bank accounts and short-term investments which mature on or before March 31, 2003.

2. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

The Government Finance Office was established by Order-in-Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993**, as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order-in-Council:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

3. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:

<i>(thousands of dollars)</i>	2002	2001
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Government Insurance	55,000	55,000
Information Services Corporation of Saskatchewan	12,000	10,843
Saskatchewan Development Fund Corporation	1,150	1,150
Saskatchewan Water Corporation	700	700
Saskatchewan Government Growth Fund Management Corporation	1	1
	\$ 1,050,382	\$ 1,049,225

4. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

<i>(thousands of dollars)</i>	Voting Percentage	2002	2001
CIC Industrial Interests Inc. (a):			
34,000,000 common shares	100%	\$ 340,000	\$ 340,000
Due to CIC		179,213	153,295
		519,213	493,295
NewGrade Energy Inc. (b):			
100 Class Y voting participating common shares	50%	50,001	50,001
Promissory notes		-	15,719
		50,001	65,720
Cameco Corporation (c):			
2002 - Nil (2001 - 5,420,567 common shares)	-	-	100,586
		569,214	659,601
Write down of investments:			
CIC Industrial Interests Inc.		(152,725)	(152,725)
NewGrade Energy Inc.		(50,001)	(57,230)
		\$ 366,488	\$ 449,646

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

4. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (CONTINUED)

- a) Amounts due to CIC are non-interest bearing and repayable on demand.
- b) CIC owns 50.0 per cent of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. On December 27, 2002, NewGrade repaid the remainder of their promissory notes outstanding. Of the amount repaid, \$7.2 million represents recovery of loans previously allowed for and is recorded as income in the current period.

CIC is committed to funding any operating shortfall of NewGrade at the end of any year. CIC will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed \$40 million outstanding at any time.

- c) On February 19, 2002, CIC sold its remaining 5,420,567 shares in Cameco Corporation (Cameco) for proceeds of \$226.3 million resulting in a gain on sale of \$125.7 million. CIC continues to own one Class B share of Cameco which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.
- d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value. As a result the Corporation has not attempted to determine the fair value of those investments.

5. CAPITAL ASSETS

(thousands of dollars)

	Cost	2002 Accumulated Amortization	Net Book Value	2001 Net Book Value
Capital assets	\$ 2,906	\$ 2,129	\$ 777	\$ 463

6. NOTE PAYABLE TO GENERAL REVENUE FUND

CIC's note payable is due on demand and carries an interest rate of 2.74%.

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

7. LONG-TERM DEBT

<i>(thousands of dollars)</i>	Maturity Date	Interest Rate	2002	2001
	February 12, 2003	9.055	\$ 154,108	\$ 154,108
	June 2, 2006	9.620	10,000	10,000
	July 10, 2007	9.830	4,000	4,000
	March 3, 2008	9.620	3,000	3,000
	August 10, 2008	10.060	3,919	3,919
			175,027	175,027
Less: Sinking Funds			159,168	152,454
			\$ 15,859	\$ 22,573

- a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.
- b) Gross long-term debt due in one year totals \$154.1 million (2001 - \$ Nil).
- c) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):
- | | |
|------|--------|
| 2003 | \$ 335 |
| 2004 | - |
| 2005 | - |
| 2006 | 4,605 |
| 2007 | 4,000 |
- d) The fair value of long-term debt is determined by discounting the future cash flows at borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt is \$180.7 million (2001 - \$190.5 million).
- e) Total interest paid on long-term debt during 2002, on a cash basis, was \$16.0 million (2001 - \$20.4 million).
- f) The fair value of securities held in the sinking funds are based on their December 31, 2002 quoted value. The fair value of sinking funds is \$159.2 million (2001 - \$152.9 million).

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

8. EQUITY ADVANCES

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During the year, CIC repaid \$181.3 million in equity advances to the GRF.

9. COMMITMENTS AND CONTINGENCIES

- a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the General Revenue Fund. At December 31, 2002, the General Revenue Fund's exposure under the guarantee does not exceed \$360.0 million. CIC does not expect any exposure under this guarantee in 2003.
- b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of \$275.0 million. The fair value of the guarantee is \$51.8 million (2001 - \$64.9 million).
- c) On June 14, 2001 Meadow Lake Pulp Limited Partnership (MLPLP) refinanced its long-term debt. As part of the refinancing agreement, CIC guaranteed MLPLP's long-term debt payments to a maximum of \$80.0 million. During the year, CIC has paid \$8.0 million on this guarantee, leaving a remaining guarantee of \$72.0 million at December 31, 2002.
- d) The Corporation has guaranteed Meadow Lake OSB Limited Partnership's (ML OSB) long-term debt facilities to a maximum of \$27.5 million. At December 31, 2002, ML OSB had not drawn on their long-term debt facilities.
- e) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2003.

10. DIVIDEND REVENUE

Dividend revenue consists of the following:

<i>(thousands of dollars)</i>	2002	2001
Saskatchewan Power Corporation	\$ 82,339	\$ 16,026
Saskatchewan Telecommunications Holding Corporation	58,631	91,347
CIC Industrial Interests Inc.	11,623	-
SaskEnergy Incorporated	4,460	-
Saskatchewan Government Insurance	-	9,164
Cameco Corporation	-	2,710
	\$ 157,053	\$ 119,247

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

<i>(thousands of dollars)</i>	2002	2001
Decrease (increase) in interest and accounts receivable	\$ 883	\$ (1,211)
(Increase) decrease in dividends receivable	(779)	28,727
Increase in interest and accounts payable	1,951	4,129
	\$ 2,055	\$ 31,645

12. RELATED PARTY TRANSACTIONS

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

<i>(thousands of dollars)</i>	2002	2001
Category (as per financial statements)		
Interest and accounts receivable	\$ 203	\$ 1,319
Interest and accounts payable	12,237	11,191
General, administrative and other expenses	335	240
Interest revenue	5,054	7,683

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. and Saskatchewan Government Growth Fund Management Corporation, without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

13. PENSION PLAN

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2002 was \$337.2 thousand (2001 - \$282.4 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2002 exceed the actuarially determined net present value of retirement annuities payable.

CICI IN NON-CONSOLIDATED FINANCIAL STATEMENTS

CICI IN NON-CONSOLIDATED
Financial Statements

**CIC INDUSTRIAL INTERESTS INC.
(NON-CONSOLIDATED)**

**CIC CONSOLIDATED
FINANCIAL STATEMENTS**

**CIC III
NON-CONSOLIDATED
FINANCIAL STATEMENTS**

Include:

- Big Sky Farms Inc.
- Canadian Western Bank debenture
- Centennial Foods Partnership
- FarmGro Organic Foods Inc.
- Foragen Technologies Limited Partnership
- Genex Swine Group Inc.
- HARO Financial Corporation
- Meadow Lake OSB Limited Partnership
- Meadow Lake Pulp Limited Partnership
- Minds Eye Entertainment Ltd.
- Prairie Ventures Fund Limited
- Premium Brands Inc.
- Primaxis Technology Ventures Incorporated
- Saskatchewan Valley Potato Corporation
- Saskferco Products Inc.
- SGI CANADA Insurance Services Ltd.
- Small business loan portfolio
- Western Life Sciences Venture Fund Limited Partnership

**CIC INDUSTRIAL INTERESTS INC.
(NON-CONSOLIDATED)**

CIC Industrial Interests Inc. (CIC III) was incorporated in 1979 under **The Business Corporations Act (Saskatchewan)** as a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to hold certain investments of a commercial nature which involve some degree of private ownership.

This narrative on CIC III's non-consolidated 2002 financial results should be read in conjunction with the audited non-consolidated financial statements.

RESULTS OF OPERATIONS

Net income for 2002 was \$11.6 million (2001 - loss of \$15.7 million), an increase of \$27.3 million. The increase is primarily due to improvements in earnings from equity investments, which provided income of \$0.9 million (2001 - \$27.0 million loss).

The improvement in equity earnings was due mainly to improved results from MLPLP. MLPLP recorded a loss of \$2.3 million compared to a loss of \$15.0 million in 2001. The improvement in MLPLP's results was due to stronger sales volumes and improved world commodity prices for pulp in the second half of 2002. 2001 results also included a \$16.6 million loss from Saskatchewan Valley Potato Corporation (SVPC), including a write-down of \$14.3 million of certain production assets due to recurring losses from potato operations. In 2002, SVPC earned \$1.1 million, reflecting a recovery of losses of \$1.0 million from the sale of Broderick, Lucky Lake and Riverhurst storage facilities. Also included in 2002 equity earnings are losses from SGI CANADA Insurance Services Ltd. of \$1.4 million (2001 - \$38.0 thousand) that relate to losses in its subsidiary, Coachman Insurance Company of Ontario, and losses from Centennial Foods Partnership of \$1.4 million (2001 - \$0.3 million).

Interest and other revenue totaled \$11.2 million (2001 - \$14.8 million). Interest revenue reflects HARO's partial repayment of outstanding loans. During 2002, HARO paid \$40.4 million to CIC III, \$32.1 million as principal and \$8.3 million as interest. In 2001, HARO repaid \$33.9 million in principal payments and \$8.5 million in interest payments to CIC III. Revenues also included \$3.6 million in gains on sale of investments (2001 - \$ Nil) primarily due to a \$3.0 million gain on the sale of Great Western Brewing Company Limited.

Expenses including provision for investment losses were \$4.1 million (2001 - \$3.5 million). The \$0.6 million increase was primarily due to a \$1.0 million accrual of a loan guarantee related to FarmGro. FarmGro entered receivership in December 2002. Provisions for investment losses included \$4.0 million related to Minds Eye Entertainment Ltd.

CIC's non-interest bearing advances to CIC III increased by \$25.9 million to \$179.2 million at year end (2001 - \$153.3 million).

During 2002, CIC III made the following equity investments: \$23.6 million was advanced to ML OSB Limited Partnership as part of a \$27.5 million commitment to build a state of the art oriented strand board plant in northern Saskatchewan; \$5.0 million in Prairie Ventures Fund Limited; \$0.9 million to invest in Primaxis Technology Ventures Incorporated, \$1.2 million in Western Life Sciences Venture Fund Limited Partnership; and, \$1.6 million in Foragen Technologies Limited Partnership. CIC III advanced \$8.0 million to MLPLP, as a loan, to fund MLPLP's long-term debt due in 2002.

During 2002, CIC III paid a dividend of \$11.6 million to help support CIC's dividend to the GRE.

**CIC INDUSTRIAL INTERESTS INC.
(NON-CONSOLIDATED)**

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Highlights

<i>(millions of dollars)</i>	2002	2001
Cash from Operations	\$ 10.2	\$ 12.7
Net (Purchase of) Proceeds from Investments	(4.7)	48.6
Decrease in Due to CIC	(5.5)	(61.3)
Cash Position, End of Year	\$ -	\$ -

LIQUIDITY

CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

OPERATING, INVESTING AND FINANCING ACTIVITIES

Cash provided by operations was \$10.2 million (2001 - \$12.7 million). The \$2.5 million decrease was primarily due to changes in non-cash working capital balances.

Cash used in investing activities was \$4.7 million (2001 - \$48.6 million cash provided by investing activities). The \$53.3 million difference is mainly due to the maturity of the Cornwall Centre mortgages (\$35.5 million) in 2001. CIC III investing activities for 2002 included \$11.0 million in purchases of new investments (2001 - \$21.3 million) and \$34.9 million in loans (2001 - \$4.9 million).

Cash used in financing activities was \$5.5 million (2001 - \$61.3 million). This represents the net cash inflows to CIC from CIC III.

DEBT MANAGEMENT

All debt used to finance investments by CIC III is non-interest bearing and is held by CIC. CIC III applies all surplus cash to repay these advances.

OUTLOOK AND KEY FACTORS AFFECTING PERFORMANCE

CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on disposition. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion & Analysis" section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and provides for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

**CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED FINANCIAL STATEMENTS**

**RESPONSIBILITY FOR FINANCIAL
STATEMENTS**

The accompanying Non-Consolidated Financial Statements have been prepared by management of CIC Industrial Interests Inc. to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO



Sheldon Schwartz, CFA
Chief Financial Officer

March 12, 2003

**AUDITORS'
REPORT**

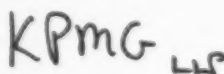
To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **CIC Industrial Interests Inc.** as at December 31, 2002 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.



KPMG LLP
Chartered Accountants
Regina, Saskatchewan

March 12, 2003

CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(thousands of dollars)

	2002	2001
ASSETS		
Cash	\$ 4	\$ -
Interest and accounts receivable	1,847	1,110
Equipment held for sale	-	100
Debentures and loans receivable (Note 3)	24,186	10,929
Investment - HARO Financial Corporation (Note 4)	207,029	239,141
Investments - equity basis (Note 5)	309,528	267,986
Investments - cost basis (Note 6)	28,847	27,210
Investments - properties (Note 7)	5,509	5,028
Capital assets (Note 9)	64	-
	\$ 577,014	\$ 551,504

LIABILITIES AND SHAREHOLDER'S EQUITY

Accounts payable	\$ 4,683	\$ 5,091
Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 10)	179,213	153,295
	183,896	158,386

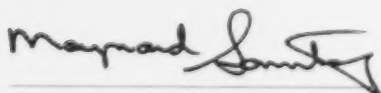
Shareholder's Equity

Share capital (Note 11)	340,000	340,000
Reinvested earnings	53,118	53,118
	393,118	393,118
	\$ 577,014	\$ 551,504

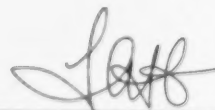
Commitments and contingencies (Note 12)

(See accompanying notes)

On behalf of the Board:



Director



Director

CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED STATEMENT OF OPERATIONS
AND REINVESTED EARNINGS
For the Year Ended December 31
(thousands of dollars)

	2002	2001
REVENUE		
Interest and other	\$ 11,175	\$ 14,842
Earnings (losses) from equity investments (Note 5(1))	939	(27,012)
Gain on sale of investments	3,624	5
	15,738	(12,165)
EXPENSES		
Amortization	12	47
Provision for investment losses	2,999	3,310
Rental and other	1,104	164
	4,115	3,521
NET INCOME (LOSS)	11,623	(15,686)
REINVESTED EARNINGS, BEGINNING OF YEAR	53,118	68,804
DIVIDEND TO CIC	(11,623)	-
REINVESTED EARNINGS, END OF YEAR	\$ 53,118	\$ 53,118

(See accompanying notes)

CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31
(thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net income (loss)	\$ 11,623	\$ (15,686)
Dividends received from equity investments	1,281	1,254
Add (deduct) non-cash items:		
Gain on sale of investments	(3,624)	(5)
(Earnings) losses from equity investments	(939)	27,012
Amortization	12	47
Provision for investment losses	2,999	3,310
	11,352	15,932
Net change in non-cash working capital balances related to operations	(1,145)	(3,233)
Cash provided by operating activities	10,207	12,699
INVESTING ACTIVITIES		
Increase in debentures and loans receivable	(34,909)	(4,909)
Debenture and loan repayments received	38,497	70,801
Purchase of investments	(10,960)	(21,298)
Proceeds from sale of investments	2,766	3,960
Purchase of capital assets	(64)	-
Cash (used in) provided by investing activities	(4,670)	48,554
FINANCING ACTIVITIES		
Decrease in due to CIC	(5,533)	(61,253)
Cash used in financing activities	(5,533)	(61,253)
INCREASE IN CASH DURING YEAR	4	-
CASH POSITION, BEGINNING OF YEAR	-	-
CASH POSITION, END OF YEAR	\$ 4	\$ -

(See accompanying notes)

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements are prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

CIC Industrial Interests Inc. (the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC) as discussed in Note 2. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because the Corporation's investments, over which it is able to exercise control, are accounted for under the equity method.

b) Advances, debentures and loans receivable

The Corporation records advances, debentures and loans receivable at cost. When there is a decline that is other than temporary in the value of an advance, debenture or loan receivable, the asset is written down to its estimated net realizable value.

The Corporation recognizes interest earned on advances, debentures, and loans receivable on the accrual basis except when collection is uncertain.

When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

c) Investments – equity basis

The Corporation accounts for investments in its subsidiaries, CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, 101012875 Saskatchewan Ltd., 101012876 Saskatchewan Ltd., 101026817 Saskatchewan Ltd., Genex Swine Group Inc., CIC OSB Products Inc., CIC Foods Inc. and CIC Ventures Inc. using the equity method. The carrying value of the Corporation's investment is adjusted for the Corporation's proportionate share of the subsidiaries' net earnings or losses and decreased by dividends received. The Corporation also uses the equity method to account for other investments it significantly influences.

The Corporation's investments in CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, CIC OSB Products Inc., 101026817 Saskatchewan Ltd., CIC Ventures Inc., CIC Foods Inc. and FarmGro Organic Foods Inc. consist of equity and debt instruments. Where there is a decline in the value of a debt instrument that is not considered temporary, the instrument is written down to its estimated fair value.

d) Investments – cost basis

The Corporation records long-term investments in corporations not subject to significant influence at cost. When there is a decline in value of an investment that is not considered temporary, the investment is written down to its estimated fair value. Dividends are recorded as income when receivable.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Investments – properties

Rental properties are recorded at the lower of amortized cost and estimated fair value.

Properties held for sale are recorded at the lower of cost and net realizable value.

f) Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

g) Amortization

Amortization on rental properties is calculated using an increasing charge method whereby the assets are amortized over 25 years, assuming an interest cost of 8 per cent.

Capital assets consist of computer software. Amortization is recorded on the straight-line basis over three years.

h) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

- i) cash;
- ii) interest and accounts receivable;
- iii) accounts payable; and,
- iv) due to CIC,

the carrying value amounts approximate fair value due to their immediate or short-term maturity.

2. STATUS OF THE CORPORATION

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979, as a wholly-owned subsidiary of CIC, a Provincial Crown corporation. The Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership. The CIC consolidated financial statements include the financial results of the Corporation and its subsidiaries.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

3. DEBENTURES AND LOANS RECEIVABLE

<i>(thousands of dollars)</i>	2002	2001
Canadian Western Bank:		
Debenture (a)	\$ 3,126	\$ 3,126
GWB Holdings Inc.:		
Notes receivable (b)	2,000	-
XL Foods Inc.:		
Loans receivable (c)	2,116	2,364
Other Loans:		
Loan principal receivable (d)	29,608	17,969
Loan interest and costs receivable	1,386	195
Lease options (net of unearned income)	1,566	2,408
Less: Provision for loan losses	(15,616)	(15,133)
	16,944	5,439
	\$ 24,186	\$ 10,929

- a) The Corporation holds a \$3.1 million non-convertible debenture in the Canadian Western Bank that matures June 30, 2012. The debenture will earn 6.85 per cent annually to June 30, 2007, and a rate equal to the 90 day Bankers' Acceptance rate plus 1 per cent annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after July 1, 2007 at par plus accrued interest.
- b) The Corporation holds a \$1.0 million non-interest bearing note receivable from GWB Holdings Inc. that matures June 30, 2004. Amounts outstanding at June 30, 2004 will earn interest at a rate equal to the Bank of Montreal prime rate plus 5 per cent calculated and compounded monthly. The Corporation also holds a \$1.0 million non-interest bearing note receivable from GWB Holdings Inc. that matures August 1, 2022. For both notes receivable, any principal repayments prior to maturity are subject to available cash flows as defined in the share purchase agreement.
- c) The Corporation holds \$2.1 million in loans receivable from XL Foods Inc. The loans earn 6.75 per cent annually calculated and paid monthly. Principal is payable in monthly instalments of \$33.1 thousand.
- d) On October 9, 2002, pursuant to Order-in-Council 715/2002, the investment portfolio assets, liabilities and obligations of Saskatchewan Opportunities Corporation (SOCO) were transferred to the Corporation at book value. The loan portfolio consists of loans with various interest rates ranging from 0 per cent to 15.75 per cent. Maturities on these loans extend to the year 2013.
- e) Debentures and loans receivable maturing in 2003 total \$3.6 million (2002 - \$0.8 million).
- f) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately \$18.9 million (2001 - \$9.9 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, therefore it may not represent the exact amount that could be realized upon settlement.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

3. DEBENTURES AND LOANS RECEIVABLE (CONTINUED)

g) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

4. INVESTMENT – HARO FINANCIAL CORPORATION

<i>(thousands of dollars)</i>	2002	2001
Term loan (a)	\$ 319,505	\$ 331,008
Interest receivable on Term Loan	886	7,346
Less: Deferred interest	(181,362)	(167,213)
	139,029	171,141
68,000,000 Class B non-voting common shares (b)	68,000	68,000
	\$ 207,029	\$ 239,141

- a) In 1992, the Corporation entered into a Term Loan Agreement with HARO Financial Corporation (HARO). The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.50 per cent (2001 - 6.64 per cent) compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2002 consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2002, is \$181.4 million (2001 - \$167.2 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

- b) Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS

<i>(thousands of dollars)</i>	Percentage Ownership	2002	2001
CIC Pulp Ltd. (a):			
100 (2001 - 100) common shares			
Cost \$100 (2001 - \$100)	100.0%	\$ (65,257)	\$ (62,932)
Due from CIC Pulp Ltd.		18,074	17,037
 Millar Western Pulp (Meadow Lake) Ltd.:			
50 (2001 - 50) Class A common shares			
Cost \$49 (2001 - \$49)	50.0%	-	-
 Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):			
Participating Debenture		159,000	159,000
Interest Loan		360,325	308,228
Term Loan		21,779	20,517
Contingency Loan		15,161	14,418
Guarantee Advance		10,895	10,361
Cash Flow Loan		13,682	13,012
Guarantee Loan		8,160	-
Accrued interest		10,354	9,250
Less: Deferred interest		(382,995)	(326,425)
Provision for loan losses		(60,000)	(60,000)
		109,178	102,466
 Saskferco Products Inc. (Saskferco) (b):			
68,449,080 (2001 - 68,449,080)			
Class B common shares			
Cost \$68,449,080 (2001 - \$68,449,080)	49.0%	116,055	109,303
 CIC Foods Inc. (c):			
100 (2001 - 100) common shares			
Cost \$100 (2001 - \$100)	100.0%	(1,764)	(399)
Due from CIC Foods Inc.		19,748	20,013
		17,984	19,614
 Saskatchewan Valley Potato Corporation (SVPC) (d):			
100 (2001 - 100) Class A common shares			
Cost \$16,216,499 (2001 - \$16,216,499)	100.0%	(74)	(1,163)
Due from SVPC		2,541	2,842
		2,467	1,679
 Big Sky Farms Inc. (Big Sky) (e):			
150,000 (2001 - Nil) common shares			
Cost - \$500,000 (2001 - \$ Nil)			
3,750,000 (2001 - 3,750,000)			
convertible preferred shares			
Cost \$15,000,000 (2001 - \$15,000,000)	41.2%	14,859	15,332

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS (CONTINUED)

<i>(thousands of dollars)</i>	Percentage Ownership	2002	2001
101012875 Saskatchewan Ltd. (f):			
3,000,001 (2001 - 1,928,572) common shares			
Cost \$3,000,001 (2001 - \$1,928,572)	100.0%	1,644	1,463
Due from 101012875 Saskatchewan Ltd.		2,500	-
101012876 Saskatchewan Ltd.			
140 (2001 - 90) common shares			
Cost \$14 (2001 - \$9)	100.0%	-	-
		4,144	1,463
Genex Swine Group Inc. (Genex) (g):			
3,177,347 (2001 - 3,177,347)			
Class A common shares			
Cost \$3,647,586 (2001 - \$3,647,586)	85.4%		
1,662,500 (2001 - 1,662,500)			
Class B preferred shares			
Cost \$3,325,000 (2001 - \$3,325,000)		10,776	11,495
FarmGro Organic Foods Inc. (FarmGro) (h):			
1,937,500 (2001 - 1,937,500)			
Class B voting preferred shares			
Cost \$1,750,000 (2001 - \$1,750,000)	27.2%	(807)	(31)
Due from FarmGro		2,951	3,685
		2,144	3,654
CIC OSB Products Inc. (CIC OSB) (i):			
100 (2001 - 100) Class A common shares			
Cost \$100 (2001 - \$100)	100.0%	-	-
Due from CIC OSB		23,856	250
		23,856	250
SGI CANADA Insurance Services Ltd.:			
320,100 (2001 - 320,100)			
Class A common shares			
Cost \$2,000,100 (2001 - \$2,000,100)	9.4%	668	2,030
101026817 Saskatchewan Ltd. (j):			
1,000,000 (2001 - 700,000) Class A common shares			
Cost \$1,000,000 (2001 - \$700,000)	100.0%	697	700
Due from 101026817 Saskatchewan Ltd.		1,700	-
		2,397	700
CIC Ventures Inc. (k):			
100 (2001 - 100) Class A common shares			
Cost \$100 (2001 - \$100)	100.0%	-	-
Due from CIC Ventures Inc.		5,000	-
		5,000	-
		\$ 309,528	\$ 267,986

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS (CONTINUED)

- a) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50 per cent interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15 per cent calculated annually on October 31.
- Term Loan which bears interest at prime plus 2 per cent, or 6.5 per cent at December 31, 2002 (2001 - 6.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Contingency Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2002 (2001 - 5.0 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2002. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Interest Loan, Guarantee Advance, Cash Flow Loan, and the Guarantee Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan.

If, by October 31, 2014, less than \$159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between \$159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.74 per cent at December 31, 2002 (2001 - 1.98 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS (CONTINUED)

On June 14, 2001, MLPLP refinanced its long-term debt. As part of the refinancing agreement, CIC guaranteed MLPLP's long-term debt payments to a maximum of \$80.0 million. During 2002, CIC paid \$8.0 million (2001 - \$ Nil) on this guarantee. The Corporation records this as a separate loan (Guarantee Loan).

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2002. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

- b) The Corporation holds a 49 per cent interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.
- c) The Corporation through its wholly-owned subsidiary CIC Foods Inc., owns a 35 per cent interest in Centennial Foods Partnership (Centennial).

The Corporation's partnership agreement includes a provision that allows Centennial 2000 Inc. to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial. The Corporation does not have matching capital withdrawal rights. As a result the Corporation is treating Centennial 2000 Inc.'s capital withdrawal as a priority distribution and charging the Corporation's share of income with the Corporation's 35 per cent contribution to Centennial 2000 Inc.

Included in Centennial's financial statements are liabilities owing to Centennial 2000 Inc. due to certain tax liabilities agreed to be paid by Centennial. The establishment of these liabilities is based on known facts and interpretation of circumstances. As a result, the recorded amount of these liabilities could change in the near future.

- d) The Corporation holds 100 per cent of the Class A voting common shares of SVPC (2001 - 100 per cent). SVPC is a seed potato production and storage company in the Lake Diefenbaker area. During the year, SVPC disposed of three of its potato storage facilities and recorded a gain of \$1.0 million.

The Corporation provides SVPC with a line of credit not to exceed \$3.0 million (2001 - \$3.0 million), due on demand. The credit line bore interest at Bank of Montreal prime less 0.75 per cent up to March 1, 2001 and is non-interest bearing thereafter. At December 31, 2002, SVPC has \$2.5 million (2001 - \$2.8 million) outstanding on its credit line.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS (CONTINUED)

- e) The Corporation holds a 41.2 per cent (2001 - 40.0 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan.

The preferred shares have an annual cumulative dividend of 5 per cent for the first five years from the date of issue, thereafter, a 10 per cent cumulative dividend rate.

The preferred shares may be converted to common shares by the holder, on a one-to-one basis, any time in the first five years from date of issue. Furthermore, the preferred shares are retractable or redeemable after seven years from the issue date.

The Corporation holds an option to acquire additional convertible voting preferred shares at a rate of one share for every 10 shares held.

- f) The Corporation, through its subsidiary 101012875 Saskatchewan Ltd., entered into a partnership agreement with Royal Bank Financial Group and SGF Soquia Inc. to create Foragen Technologies Limited Partnership (Foragen Partnership), a venture capital fund which will offer seed capital to technology corporations. The Corporation owns 33.3 per cent of Foragen Partnership and has committed to providing an additional \$8.5 million in equity to Foragen Partnership over the next three years. At December 31, 2002, the Corporation has invested \$5.5 million (2001 - \$1.9 million).
- g) The Corporation owns 85.4 per cent of the Class A common shares (2001 - 85.4 per cent) of Genex, a swine genetics company located in Regina, Saskatchewan. In addition, the Corporation holds 86.2 per cent (2001 - 86.2 per cent) of the Class B non-voting, non-participating preferred shares of Genex which bear a cumulative dividend of 8 per cent per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.
- h) The Corporation holds 1,937,500 (2001 - 1,937,500) Class B voting 7 per cent cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro) located near Regina, Saskatchewan. The preferred shares owned by the Corporation represent a 27.2 per cent (2001 - 27.2 per cent) interest in FarmGro. On December 17, 2002, FarmGro entered receivership.

The Corporation has net exposure to FarmGro of \$2.1 million after an allowance of \$1.0 million on amounts due from FarmGro. This amount represents the estimated net realizable value to the Corporation. This amount is expected to be repaid through the orderly sale of FarmGro's assets.

- i) The Corporation, through its wholly-owned subsidiary CIC OSB entered into a limited partnership, Meadow Lake OSB Limited Partnership (ML OSB) with Tolko Industries Ltd., Meadow Lake OSB Mill Corporation and Northwest Communities Wood Products Ltd. for the purpose of constructing and operating an oriented strand board facility in Saskatchewan. The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest. To December 31, 2002, the Corporation has provided \$23.8 million.

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

5. INVESTMENTS – EQUITY BASIS (CONTINUED)

- j) The Corporation, through its wholly-owned subsidiary 101026817 Saskatchewan Ltd., entered into a partnership agreement with Keystone Technologies Inc., Biovail Technologies West Ltd., Province of Manitoba, ENSIS Growth Fund Inc., The Workers Compensation Board of Manitoba and Manitoba Public Insurance Corporation to create Western Life Sciences Venture Fund Limited Partnership (WLS). WLS will offer seed capital for human biotechnology, primary pharmaceuticals, biological and nutraceutical products. The Corporation owns 2,700,000 partnership units (2001 - 700,000) of WLS. At December 31, 2002, the Corporation has invested \$2.7 million (2001 - \$0.7 million) in WLS and is committed to fund a further \$7.3 million.
- k) The Corporation, through its wholly-owned subsidiary, CIC Ventures Inc. entered into a partnership agreement with PFM Fund Operations Inc., 1919 Rose St. Properties Ltd. and a Credit Union syndicate to create Prairie Ventures Fund Limited (PVF), a venture capital fund which will provide capital to grow small- and medium-sized companies in Saskatchewan. The Corporation has invested \$5.0 million for a 54.0 per cent ownership of PVF and is committed to provide a further \$20.0 million in funding.

- l) Earnings (losses) from equity investments are as follows:

<i>(thousands of dollars)</i>	2002	2001
CIC Pulp Ltd.	\$ (2,325)	\$ (15,009)
Saskferco Products Inc.	6,751	3,225
CIC Foods Inc.	(1,365)	(337)
Saskatchewan Valley Potato Corporation	1,088	(16,579)
Big Sky Farms Inc.	(224)	948
101012875 Saskatchewan Ltd.	(462)	(466)
Genex Swine Group Inc.	(452)	1,803
FarmGro Organic Foods Inc.	(474)	(559)
SGI CANADA Insurance Services Ltd.	(1,362)	(38)
CIC OSB Products Inc.	-	-
101026817 Saskatchewan Ltd.	(236)	-
CIC Ventures Inc.	-	-
	\$ 939	\$ (27,012)

6. INVESTMENTS – COST BASIS

<i>(thousands of dollars)</i>	2002	2001
Premium Brands Inc.	\$ 15,000	\$ 15,000
Primaxis Technology Ventures Incorporated	5,000	5,000
Performance Plants Inc.	1,500	-
Minds Eye Entertainment Ltd.	500	4,500
Other	6,847	2,710
	\$ 28,847	\$ 27,210

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
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7. INVESTMENTS – PROPERTIES

The Corporation owns \$5.5 million (2001 - \$5.0 million) in land, building and other properties held for resale. The amounts are shown net of amortization.

8. FAIR VALUE OF INVESTMENTS

The Corporation has not attempted to determine the fair value of its investments in its equity holdings, non-publicly traded common shares, investment in HARO and its property holdings due to the costs associated with this type of valuation.

9. CAPITAL ASSETS

<i>(thousands of dollars)</i>	Cost	2002 Accumulated Amortization	Net Book Value	2001 Net Book Value
Computer software	\$ 64	\$ -	\$ 64	\$ -

The Corporation is incurring costs to develop software. Amortization will commence upon completion of development.

10. DUE TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

11. SHARE CAPITAL

<i>(thousands of dollars)</i>	2002	2001
Authorized		
Unlimited shares with no par value		
Issued and outstanding		
34,000,000 shares (2001 - 34,000,000)	\$ 340,000	\$ 340,000

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
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12. COMMITMENTS AND CONTINGENCIES

- a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued \$2.6 million (2001 - \$2.6 million) to carry out the clean-up activities.
- b) The Corporation has committed to invest up to \$27.5 million in ML OSB representing a 25 per cent ownership interest. To December 31, 2002, the Corporation has provided \$23.8 million of this commitment.
- c) The Corporation has committed to invest up to \$14.0 million to fund its investment in Foragen Partnership. To December 31, 2002, the Corporation has provided \$5.5 million of this commitment.
- d) The Corporation has committed to invest up to \$10.0 million in partnership units of WLS. To December 31, 2002, the Corporation has provided \$2.7 million of this commitment.
- e) The Corporation has committed to invest an additional \$20.0 million in partnership units of PVF contingent upon PVF reaching agreed upon milestones.

13. RELATED PARTY TRANSACTIONS

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

On October 9, 2002, the Corporation, through CIC, absorbed SOCO's investment portfolio for its book value of \$19.8 million. The transaction increased the Corporation's amounts due to CIC by \$19.8 million. The SOCO assets are reflected by the Corporation in the following accounts (thousands of dollars):

Debentures and loans receivable	\$	10,704
Investments - equity basis		2,780
Investments - cost basis		6,344

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

<i>(thousands of dollars)</i>	2002	2001
Category (as per financial statements)		
Interest and accounts receivable	\$ 1,822	\$ 1,056
Accounts payable	-	7
Interest and other revenue	-	883
Rental and other expenses	35	66

CIC INDUSTRIAL INTERESTS INC.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
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13. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

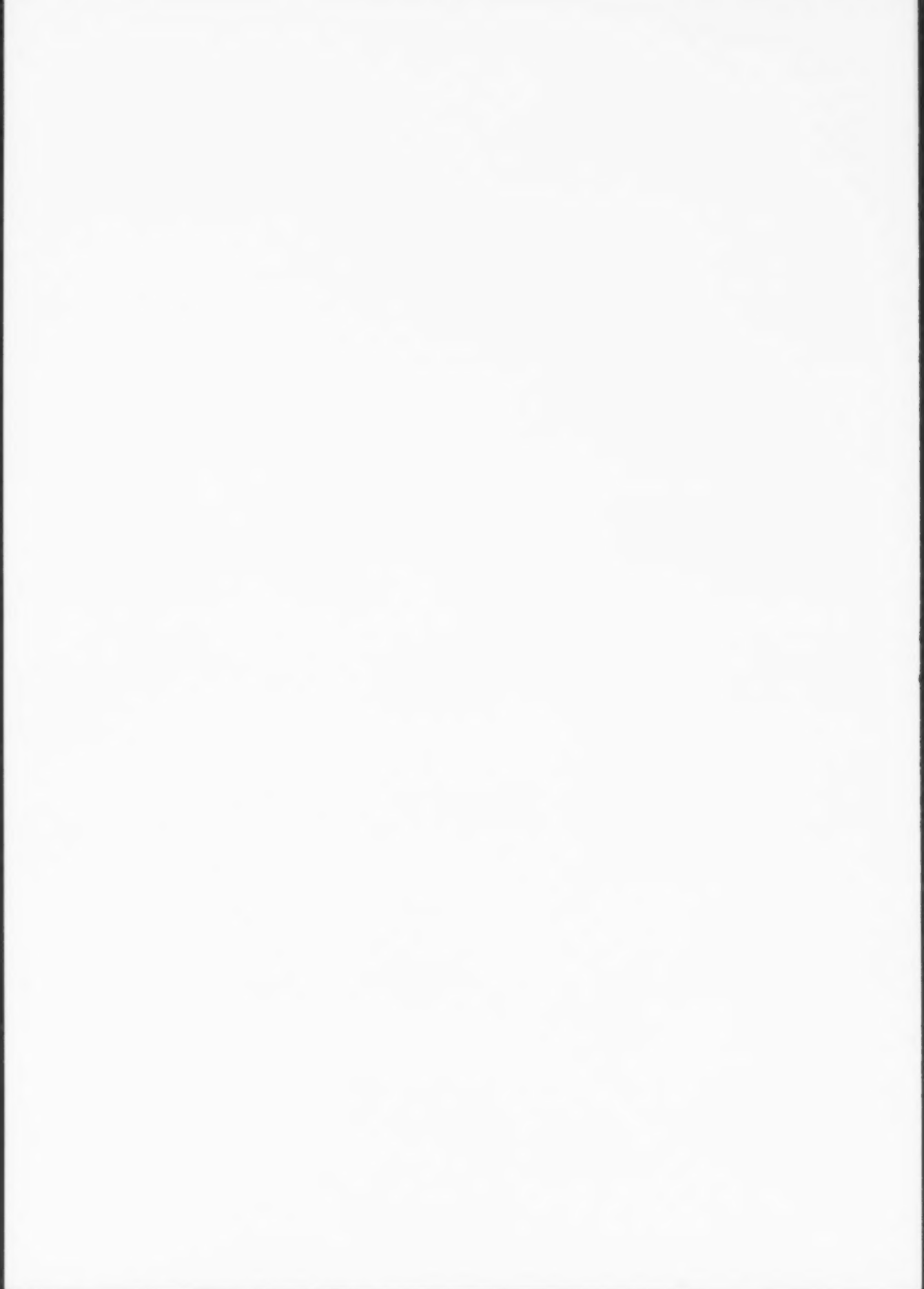
14. JOINT VENTURES

The Corporation has joint control over the operating, investing and financing policies of MLPLP through CIC Pulp Ltd., Centennial Foods Partnership through CIC Foods Inc. and Foragen Technologies Limited Partnership through 101012875 Saskatchewan Ltd. The Corporation's pro rata share of its interest in these joint ventures is as follows:

<i>(thousands of dollars)</i>	2002	2001
Current assets	\$ 48,860	\$ 47,778
Long-term assets	151,549	150,763
Current liabilities	27,398	34,231
Long-term liabilities	44,199	42,129
Equity	128,812	122,181
Revenue	135,779	121,347
Expenses	138,278	135,516
Net loss	(2,499)	(14,169)
Cash flows from operating activities	38,854	22,311
Cash flows from investing activities	(5,457)	(4,325)
Cash flows from financing activities	6,644	(1,777)

15. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform with current year's presentation.



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President: Donald R. Ching

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President: Larry Fogg

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President: Doug Tastad

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Maynard Sonntag
Minister

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